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The Impact of Acquisition Announcements on Acquiring Firms' Alliance Partners : A Research Review and Compositive Research Model for Retail Industry

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Abstract

Purpose - This study addresses an acquisition's impact on a firm's strategic relationship based on findings of existing academic studies and theoretical assertions. Through examining existing research results and theoretical grounds for an acquisition's impact on various stakeholders, this study indirectly approaches the impact on stakeholders including alliance partners.

Research design, data, and methodology - This research identified a variety of related theoretical foundations and empirical studies. Research objectives of prior studies mainly focused on merging firms and direct participants of acquisition activity. In addition, academic attention on the impact on rival firms has recently been growing. However, little research on alliance partners was found. Prior studies simultaneously employed event study methodology and cross-sectional analysis to make further theoretical contributions.

Results and Conclusions - Based on the findings of prior studies, this research proposed a complementary research model for future academic inquiry into the impact of an acquisition on an alliance partner's return and for predicting an acquisition announcement's effect on alliance partners.

Keywords: M&A, Market Valuation, Alliance Partners, Acquisition Announcement.

JEL Classifications: G34, G32, D74.

1. Introduction

How the friendship would be influenced when my best friend gets married? Some friends grow apart while some friends become closer after his/her marriage. There must be complex interaction between the relationship with friends and wife. Of course, friends' characteristics and diverse associated factors affect the post-marriage friendship status in the meanwhile wife's characteristics and a bond of love between a couple give significant impacts.

In the business relations, we can observe similar cases when a firm decide and execute acquisitions and alliances. Current business environment makes business entities to be prepared and manage their business networks properly. Business network includes competitors, suppliers, customers and various types of partners (Baum et al., 2000). Particularly, multinational companies need to consider the competitive dynamics and relationship management with existing partners when they consider the options of expanding their business domain through inorganic approach including M&A and alliance (Shahrur, 2005). Academic researches on the event of M&A and alliance and their influence on focal firms and external stakeholders conducted in many ways but fragmented (Folta & Miller, 2002; Yang et al., 2011). Thus, this study starts from fundamental academic curiosity of "how is the firm's strategic decision such as acquisition impact on firm's existing relationship?" To address this issue this study looked through acquisition's impact on the firm's strategic relationship basically based on the findings of existing academic researches and theoretical assertions. Through addressing findings and limitations of existing researches, this study also would like to generate a complementary research model for future academic approach.

Acquisition is regarded as major organizational activities to achieve external resources while alliance has been recognized as a way to achieve same strategic goals. Fundamental difference between acquisition and alliance comes from the ownership of control share. Alliance has partial control while acquisition has complete ownership (Yin & Shanley, 2008). Acquisition and alliance produces different value propositions and requirements. Acquisition allows absolute control and requires significant managerial and financial commitment from acquiring firm while alliance allows partial involvement and requires continuous management and reassessment of partner's commitment and contribution (Balakrishnan & Koza, 1993; Mitsuhashi & Greve, 2009). At the same time, these options share common aspects. Firstly, they all are used to access external resource. And they also have common inspiration such as synergy, com-

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petitiveness and so on. These overlapping functions indicate that alliance and acquisitions are closely related and connected with each other (Zollo & Reuer, 2010). Nevertheless, prior academic researchers approached alliance and acquisitions on a parallel basis. Yet, the relationship between the two strategic options, in fact, needs to be considered simultaneously (Folta & Miller, 2002; Porrini, 2004; Zollo & Reuer, 2010).

Prior studies on M&A mainly focused on economic and financial aspects such as transaction cost, agency conflicts, and real options and were naturally negligent on behavioral and network dimensions. However, recent research streams are paying more attention to behavioral learning or relational network. Uzzi (1996) earlier pointed out the importance of considering corporate relational network by positing "firms are not atomistic players but relational entities subject to opportunities and constraints in their networks". Decision making on acquisition is, fundamentally, the choice of interfirm governance and it is relational in nature to get influenced along the embeddness in the alliance network (Lin et al., 2009; Yin & Shanley, 2008). Plus, to understand further about alliance and its successful management should include considering firm's network embeddness together (Tsai, 2001). Accordingly, a novel academic approach with complementary perspective embracing above described issues altogether, would be much more contributed in theoretical and practical aspects.

2. Literature reviews

For a firm's expansion of business territory, firms take strategic moves and implement strategic initiatives to achieve external resources, which help developing and expanding core business. Strategic options for business expansion include M&A and alliance, which requires firm's considerable resource investment and strong commitment of management (Folta & Miller, 2002; Zollo & Reuer, 2010). Interestingly, recent large enterprises possess multiple alliance network and acquisition experiences as a result of continuous strategic decisions and associated implementations. They have various acquired assets and business portfolios with diverse alliance relationship with diverse business entities (Wassmer, 2010). Considering this complexity in business environment, firms should pay attention to maintain existing corporate relationship and network when they think of another strategic move for further growth (Kale & Singh, 2009). Firmsare surrounded by various stakeholders, competing against and cooperating with each other. Maintaining relationship with diverse stakeholders is one of the most critical aspects for firms to survive and grow further in the business society (Gulati & Singh, 1998). Various corporate activities directly and indirectly influence on maintaining and managing relationship with stakeholders (Schreiner et al., 2009). Particularly, major investment decisions such as acquisition affect significantly on the existing relationship such as alliance partners so that firms need to estimate a forthcoming influence from its decision beforehand and should be prepared strategically for the outcome of new decision (Gulati et al., 2005; Schreiner et al., 2009). In this context, this chapter would like to examine existing research streams and their outcomes to address how the stakeholders were influenced through acquisition activities in the prior academic researches.

2.1. Theoretical considerations on M&A and its influence

Mergers and acquisitions (M&As) have been regarded as one of the most popular methodology for the firms' growth strategy (Hitt et al., 2001; Child et al., 2001; Koo, 2012). To have an access to the external resources, acquisition is often perceived as same context with alliance. However, acquisitions require bigger commitment and financial resources so that firms need to consider more prudently on its pro and cons with evaluating wisely on the impact of event (Fan & Goyal, 2006). Thus, academic approaches on M&A have been very active and include more and more surrounding issues recently (Clougherty & Duso, 2009). In this chapter, we would like to address theoretical approaches and research findings regarding M&A and its influence.

As commented above, there are many theoretical approaches regarding M&A and its rationale. One of the most renowned theoretical considerations is productivity enhancement mechanism. Empirical researches that address this theoretical perspective pointed out that related takeovers produce bigger operating synergy than diversifying mergers (Healy et al, 1992; Maquieira et al, 1998; Maksimovic and Phillips, 2001). M&As exert more significant influence on surrounding stakeholders rather than that of alliance reflecting the degree of commitment (Yang et al., 2011). Enhanced productivity efficiency of acquiring firm influences significantly on various stakeholders in the market (Shahrur, 2005). Acquiring firm is expected to possess infra-marginal rent from enhanced efficiency through takeover. And this enhanced efficiency gives a big impact on rival firms (Eckbo, 1983). In Eckbo's research (1982), he posited that rival firms get negative impact from more intensified competitive environment while M&A influence on enhancing industry-wide productivity. Under the productivity enhancement theory, merging firms and rivals would get benefited at the expense of suppliers' intensified competition and customers also can be influence but the way how customers being influenced will depend on the success or failure of achieving efficiency (Snyder, 1996; Eckbo, 1992)

Gort (1969), in his earlier study, asserted that M&As are caused by the difference in valuation among stakeholders in market, generated by economic shocks from changes in regulation, technology and industry/market structure. This shockis likely to specify in a certain industry and produces acquisition cluster by industry. For example, oil price changes triggers changes in cost structure of petro-chemical goods, which results whole industry restructuring and it cause M&As within the industry (Jensen, 1988). M&As within an industry is likely to connected with positive abnormal returns to competing rival firms

(Eckbo, 1983). Acquisition probability theory addresses this issue and posits M&A's impact on industry rivals. Song & Walkling (2000) argued rival firms' positive abnormal return caused by the increased probability of being next acquisition target. Their research found the appearance of potential bidder who is able to pay more than current market price is the overriding evidence of differential in valuation for the firms within the industry. M & Awithin an industry generates shock waves that can bring re-estimation of firm's value based on an enhanced probability of an acquisition attempt for rivals (Song & Walkling, 2000)

As a result of M&A, number of market participants within industry decreases. Thus, probability of collusion between market participants can be increased by lowering the cost of collusion (Stigler, 1964). Regarding the acquisition of competitors within industry, pursuing benefits from collusive merger, there had been many academic approaches already and collusion hypothesis had been empirically tested many times (Eckbo, 1983; Stillman, 1983; Song & Walkling, 2000). Collusion theory suggests that the benefit of horizontal acquisition comes from higher output price against lower input price. In the same context, this type of acquisition can be predicted producing negative influence on supplier and customer firms. In addition, acquiring firm and rival firms can expect economic advantage through collusion as an outcome of significant commitment and associated investment (Eckbo, 1983).

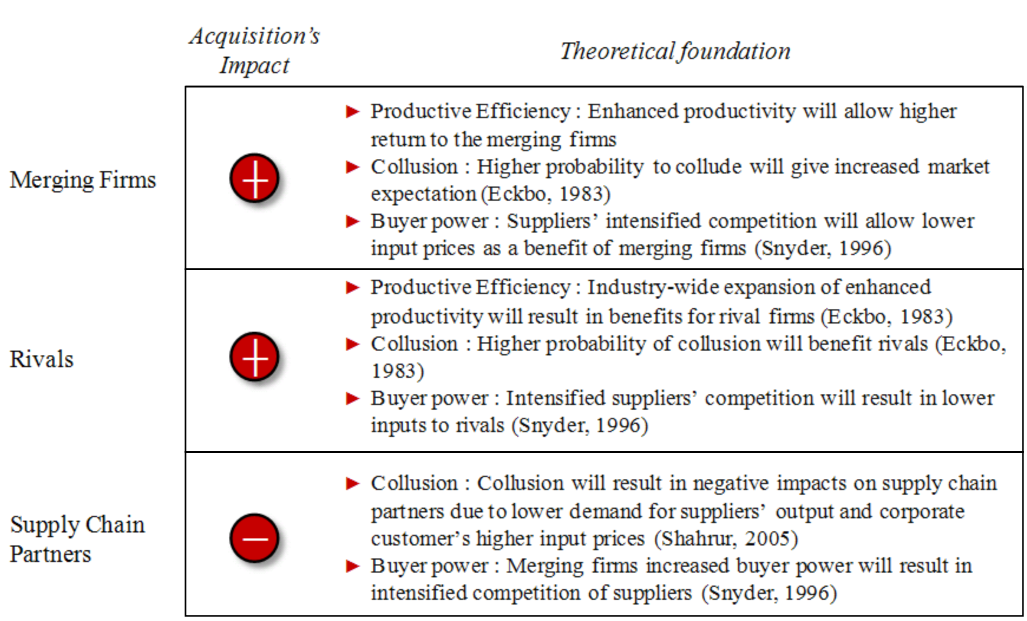
Concentration of buying industry strengthens countervailing power and produces stronger powers to give pressures to suppliers (Galbraith, 1952). There are theoretical perspectives caring the size of buyers, which asserts that large buyers can lower the input price leveraging their bargaining power (Stole and Zwiebel, 1996; Chipty and Snyder, 1999). In addition, although the number of buyers can be smaller through M&A and suppliers can be colluded after then, suppliers would not be able to avoid intensified competition (Snyder, 1996). A common perspective of buyer power model theory is that horizontal mergers are expected to have benefits from the sacrifice of supplier firms. Thus, Snyder (1996)pointed out rival firms also can be benefited by the suppliers' intensified competition when acquisition brings increased buyer power. As an extension of buyer power theory, consumers can be benefited through increased buyer power. It means buyer firms as merging entities, using enhanced buyer powers, restrict suppliers' cost increase and acting as a 'gatekeeper' in front of customers (Frank and Solomon, 2002).

Including theories described above, there are many other theoretical considerations around M&A and its rationale. However, considering the main objective of this study, this study address existing researches and articles particularly related with M&A's influence on focal firm's stakeholder relationship. Then, from the next chapter, this study would like to introduce existing research streams and findings on M&A's influence.

<Figure 1> describes hypothetical correlation of acquisition announcement with surrounding stakeholders drawn from existing theoretical foundation. Stakeholders are categorized by merging firms, rivals and supply chain partners. Consistently with productive efficiency, collusion, buyer power theory, acquisition announcement is predicted to give positive impact on merging firms and rivals return while supply chain partners get negative influence (Eckbo, 1983; Shahrur, 2005; Snyder, 1996). Based upon these theoretical assertions, many academic approaches attempting empirical verification had been attempted by many researchers. Next chapter will describe in detail about research efforts around above mentioned issues.

2.2. Research streams and findings on M&A's impact

Academic researches on M&A, Homburg and Bucerius (2006) categorized four main themes addressed. First category is 're-



<Figure 1> Hypothetical correlation drawn from existing theoretical background on M&A's influence

search in economics', which was by Ravenscraft &Scherer (1987). Second is 'research in finance' by Jensen and Ruback (1983), and Datta et al.(1992). Third is 'research with corporate strategy' conducted by Ansoff et al.(1971), Capron (1999), Chaterjee (1986), Salter and Weinhold (1978), and Singh and Montgomery (1990). Last stream is 'research on the organizational theory' addressed by Datta (1991), Larsson and Finkelstein (1999), and Larsson and Lubatkin (2001). In addition with these approaches, there are studies which addressed impact of M&A using event study methodology. This research stream also aims to examine impact of M&A as an event. Many studies paid attention on the focal firm's abnormal return and would like to address its success of achieving proposed synergies to consider acquisition's success. And some studies also tried to address acquisition's impact on surrounding stakeholders such as rivals and existing alliance partners. <Table 1> describes the findings of prior event studies on acquisitions and its impact.

As <Table 1> describes, prior studies conducted empirical test of proposed theories through event study methodology. And they performed diverse types of cross-sectional analyses at the same time. Researches were not only testing the impact of acquisition on stakeholders but also attempting to develop further perspectives through cross-sectional analysis. Based on the findings from prior studies, we are able to indirectly address the impact of acquisition on the focal firm and surrounding stakeholders. In most studies, proposed theoretical hypotheses were supported by empirical results and they provide solid ground for adopting proposed theories in real world.

According to the research results, acquisition announcement was positively associated with merging firm's returns regardless of type of acquisition (Fan & Goyal, 2006; Shahrur, 2005). Rival firms were also positively correlated with acquisition announcement and supported theoretical assertions(Song & Walkling, 2000; Clougherty & Duso, 2009; Shahrur, 2005; Gaur et al., 2013). Interestingly, there are significant amount of theoretical considerations on merger type. Since M&A is largely recognized as an execution of growth strategy, the type of acquisition (e.g. horizontal, vertical, diversifying mergers) influences differently on merging firms and surrounding stakeholders' benefits (Fan & Goyal, 2006). Earlier researches assert M&As between different industry players result in negative abnormal return of acquiring firms (Mork, Shleifer, and Vishny, 1990; Maquieira, Megginson, and Nail, 1998). Schoar (2002) posits unrelated mergers' negative association with total firm performance and productivity. Berger and Ofek (1995) also support diversifying acquisition's negative correlation with firm value in their earlier study. Fan and Goyal (2006)'s empirical address on different wealth effect

<Table 1> Findings of prior event studies on acquisition's influence

Researcher	Description	Dependent Variable	Independent Variable	Correlation	Control Variables	Theoretical background	Data description	Result of event study
Shahrur (2005)	Addressed wealth effect of horizontal takeovers on rivals of the merging firms and on firms in supplier and customer industries	CAR of merging firms, rivals, suppliers and corporate customers	Concentration of the takeover industry	Negative impact on abnormal return to merging firm and rivals but no relation with suppliers and corporate customers	Herfindahl index, offer includes stock, relative size, hostile takeover	Productive efficiency, collusion, market power theory	#ofObservation:463mergers Period:1987-1999 Data:SDC,Compustat,CRSP	For the announcement of a takeover, positive average wealth effect to target and bidder stockholders, rivals, and corporate customers but negative returns to suppliers
			Concentration of customers	Positive impact on bidder and target, customers				
			Concentration of suppliers	Positive wealth effect to the merging firm and negative impact on rivals				
Song & Walkling (2000)	Evaluated abnormal return of rival firm of acquisition targets	Abnormal return of target firms and rivals	Growth rate of rival firm's sales	Negatively correlated with rival firms' abnormal returns	N/A	Acquisition probability	#ofObservation:1353 Period:1982-1991 Data:W.T.Grimm'sMergerstatReview,ValueLive	Rival firms earn positive abnormal returns
			Managerial ownership	Negative impact on rivals' abnormal return				
			Firm size	Negative influence on rivals' abnormal return				
			Tobin Q	Positively related to rivals' returns				
			Herfindahl index	Negatively correlated with rival firms' abnormal returns				
Fan & Goyal (2006)	Observed wealth effect of vertical mergers on bidder and target firms	Abnormal return of bidder and target firms	Degree of vertical relatedness	Positively related to wealth effect than diversifying mergers	Target size, stock financed merger, industry, time	Diversification	#ofObservation:2162mergers Period:1962-1996 Data:MergerdatafromCRSP,Wallstreetjournalindex(WSJI),Lexis/Nexisdatabase)	Vertical mergers generate positive wealth effects
Clougherty & Duso (2009)	Examined the impact of horizontal merger on rival firms	Abnormal return of rivals of acquiring firms / merging firm (cross-sectional)	Target's abnormal return	Postitively correlated with merging firm's return	N/A	Collusion, market power theory	#ofObservation:165 Period:1990-2002 Data:ECfilesandwebsiteofEC	Rivals generally experience postivive abnormal returns at the merger announcement
			Rival's abnormal return	Positively related to merging firm's return				
			Acquirer's abnormal return	Insignificant				
Gaur et al. (2013)	Examined the impact of acquisition announcements on the stock market returns of rivals of the acquiring firms	Stock market returns of rivals of the acquiring firms	Focal firm's acquisition performance	Positive correlation with rivals' abnormal return	Cross-border acquisitions, public status, mode of payment, merger type, rival firms' cash status and asset growth ratio, book-to-market ratio, debt-to-asset ratio and return on asset of rival firms	Growth probability	#ofObservation:1074 Period:1993-2008 Data:SDC,Datastreamdatabase	Rivals of acquiring firms are positiviely associated with announcement of M&A
			Degree of industry concentration	Positive impact on rivals' abnormal return				
			Industry relatedness	Insignificant				

by the type of acquisition is not able to clearly state the difference between vertical and horizontal mergers. However, they find the differences in the degree of wealth effect by the merger type such as vertical and diversifying mergers. Thus, considering different impact from the difference of merger type would be meaningful for future empirical research to verify many different theoretical grounds.

As for the impact of alliance partners, there were little considerations regarding alliance partners except a concern on supply chain partners such as suppliers and corporate customers (Shahrur, 2005). Prior academic approaches regarding acquisition announcement's impact on various stakeholders around acquired company generally pay attention to focal firms and rival firms. They did not approach in earnest about the influence on existing alliance partners. Thus, full-scale academic assessment on the impact of acquisition on existing alliance network would be beneficial for alliance management perspective. Such a research effort would be particularly helpful when firms consider additional acquisition or alliance with maintaining current business networks securely.

Acquisition is a significantly important event for a firm and it requires large scale of resources and managements' commitment. Thus, it brings many side-effects and triggers dramatic changes of surrounding business environment. Some changes are positive for focal firm while some changes are not. Considering current complex business environment, a big event such as M&A should be prepared properly and strategically, to prevent any unexpected interference in the existing sound corporate relationship network, which already produce cooperative synergy and need to be maintained securely. Thus, considering the way to prevent potential conflicts between existing corporate relationship and acquisition would also be meaningful. Now that an event of M&A is perceived as one of the biggest corporate move to achieve external resources, if any research efforts could cover diverse perspectives including competitive dynamics and corporate strategic relationship management, it would be much meaningful and contributable.

2.3. Theoretical considerations on alliance and its influence

On the other hand, over the last two decades, alliance were selected as one of the most popular organizational forms when considering strategic options to achieve external resources. Academic researches on alliance started from the study of inter-firm collaboration, targeting technological innovation and profitability enhancement. Studies were mainly focused on the benefit delivered to alliance partners such as learning, risk sharing and competition attenuation (Porter & Fuller, 1986). However, overtime, research focus had been migrated to the perspective of observing alliance as a vehicle for alliance partners to be able to access external resources. In addition, rather macro perspective emerged which regards alliance as an event which produces attenuation of industry-wide competitive intensity with enhancing individual firm's capability (Oxley et al., 2009).

Particularly, to confirm the theoretical assertions regarding alliance's benefit such as enhancing competitiveness, researchers conducted event studies, which examines stock market response on the alliance announcement. In many cases, alliance announcement responded positively by the market and the degree of response can be differed by the focal firm's capability and experience (McConnell & Nantell, 1985; Anand & Khanna, 2000; King et al., 2002). Thus, this chapter address prior academic research results and findings.

For the motivation of alliance, theoretical foundations are basically based on transaction cost and competitiveness strategy perspective. Largely accepted consensus in academic society on alliance started from transaction cost economics (TCE) and the resource-based view (RBV). It means that firms pursue a collaborative activities to approach sparse resources more efficiently and timely (Hennart, 1988; Kogut, 1988; Williamson, 1991). But many academic literatures have been provided varied theoretical assertions depends on the competitive dynamics of alliance. In that perspective, an alliance weaken the rival's strength in the industry through decreasing rival's probability to approach potential partners and resources in the industry (Gomes-Casseres, 1994). Another point of views are from ecological conception of environmental carrying capacity and organizational legitimation, posit alliance results in enhancing resource availability among overall industry participants by linking each players in the industry. This means alliance produces not only benefits allying firms of course, but also help and support overall competitors (Baum & Oliver, 1992). In addition, Chung et al. (2000) pointed out inter organizational relationship gives diverse advantages to participating firms, which primarily associated with direct and indirect availability for complementary resource. And transaction cost economist and resource based theorist also regard alliance facilitate access to the important knowledge and assets which can be difficult with only contacting (Hennart, 1988; Kogut, 1988; Williamson, 1991). A natural corollary of alliance is that alliance not only helps winning from the competition, but also gives stronger competition to others. Firms can get more benefits through alliance, restrict rivals' access to resources and have more competitive position in the market (Amburgey et al., 1996; Walker et al., 1997; Silverman & Baum, 2002). This phenomena can appear more obviously in the market which the number of partners are restrictive, and this scarcity makes firms to look for better partners and secure relationship with existing partners (Gulati, 1995). Thus, the greater alliance and much experience in alliance makes firms to be much sustainable and stronger at competitive dynamics. In an organizational theory perspective, scholars propose similar benefits for firms in alliance with benefits to rivals at the same time. They argue an alliance enhance industry-wide carrying capacity, give benefits to rivals through securing legitimacy of an industry, and enhance capital availability for market participants (Baum & Oliver, 1992; Silverman & Baum, 2002). Benefits from alliance give opportunities for focal firms to promote organizational viability and produce capability to snatch the long-lasting victory from competition (Aldrich & Fiol, 1994).

Prior studies also look upon the benefit and influence of alliance along the types of partnership. In this perspective, alliance benefit and influence differently on the level of enhancing industry carrying capacity. Calabrese et al.(2000) asserted that horizontal and vertical alliance affects differently in nature. There are theoretical approaches exploring the difference in the alliance's influence by the type of partnership. Incumbents' horizontal and vertical partnering affect differently on the possibility of expanding focal firm's strategic direction into sub-industries (Calabrese et al., 2000). It can be expected that different types of alliance produce different level of competitive intensity with rivals (Silverman & Baum, 2002). Due to the diverse associated benefits, alliances may provide firms a legitimacy for the strategic choice (Baum & Oliver, 1991; Miner et al., 1990), that also makes firms to achieve necessary resources. Such advantages and benefits are especially important when an access to the scattered knowledge, technology and resources is highly significant (Teece, 1992; Stuart et al., 1999).

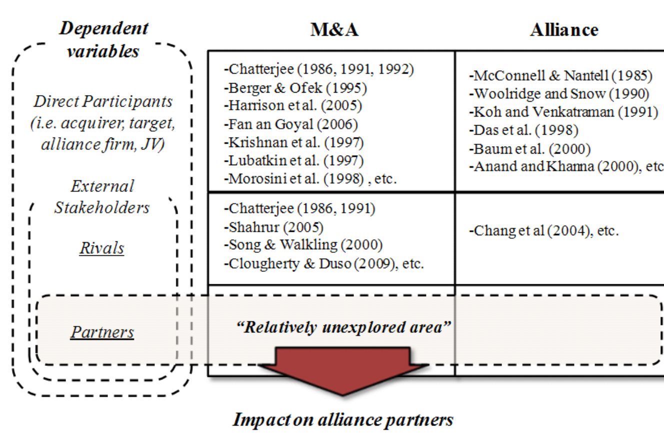
2.4. Research streams and findings on alliance's influence

Alliance studies are conducted ranging over various surrounding issues and theoretical assertions. Research streams can be categorized along the process of organizing alliance such as the foundation of alliance (i.e. motivation, strategic purpose, etc.), types of alliance (i.e. horizontal, vertical, etc.), alliance's impact (i.e. event study on alliance announcement), alliance (portfolio) management and so on. (Wassmer, 2010) Among others, there are empirical addresses accessing alliance's influence, which attempt empirical reviews on theoretical assertions and hypotheses regarding constituting principles of alliance and extended the ground of a theoretical argument. For example, empirical research results support grounding hypotheses such as positive focal firm's abnormal returns upon alliance announcement (Oxley et al., 2009).

Some studies focused on alliance's impact on focal firm's performance and others looked upon alliance's influence on surrounding stakeholders such as rival firms and existing partner firms. Especially certain industries such as retail and logistics should be much more carefully addressed when forming a new business relationship considering their comprehensive and sensitive nature of business network and each business entities' mutual dependency(Ghishi et al., 2008; Barrat & Oke, 2007). Chung and Cho (2013) also pointed out the stong association of retailers and their alliance partners along the supply chain with explaining the impact of brand loyalty of retailer. Oxley et al.(2009) posited earlier that influencee of alliance event include various stakeholders such as rivals, supplier and customers. Thus, along these stakeholders, we can get to know the difference between the impact of alliance along the characteristics of entities around focal firm of committing alliance event. Considering alliance's significant impact on the industry and firm's competitiveness, research on alliance's influence on the stakeholders in the focal firm's surrounding business environment, gave many theoretical implications and supports for the existing theoretical assertions (Chang et al., 2004)

3. Hypotheses

Existing theoretical ground and research efforts on the impact of M&A and alliance had been basically focused on evaluating and determining a failure or success of strategic decision and its implementation. M&A's impact on acquirer had been frequently addressed by many researchers with various purposes. In addition, recent academic attention had been given to the area of an impact on focal firm's external stakeholders such as industry rivals and partners. Recent trend of diversified and complex corporate relationship networks require a novel complementary perspective, which can embrace comprehensive issues. In this context, this study found research efforts addressed M&A and alliance's influence on industry rivals (Chatterjee, 1991; Shahrur, 2005; Song & Walkling, 2000) but few studies on partners (Shahrur, 2005). Relatively many theoretical considerations asserted on the industry competitive dynamics changes after the M&A or alliance events and it naturally connected with researches to test the theories in empirical basis. However, the research efforts are not extended to the partner firms in earnest yet.



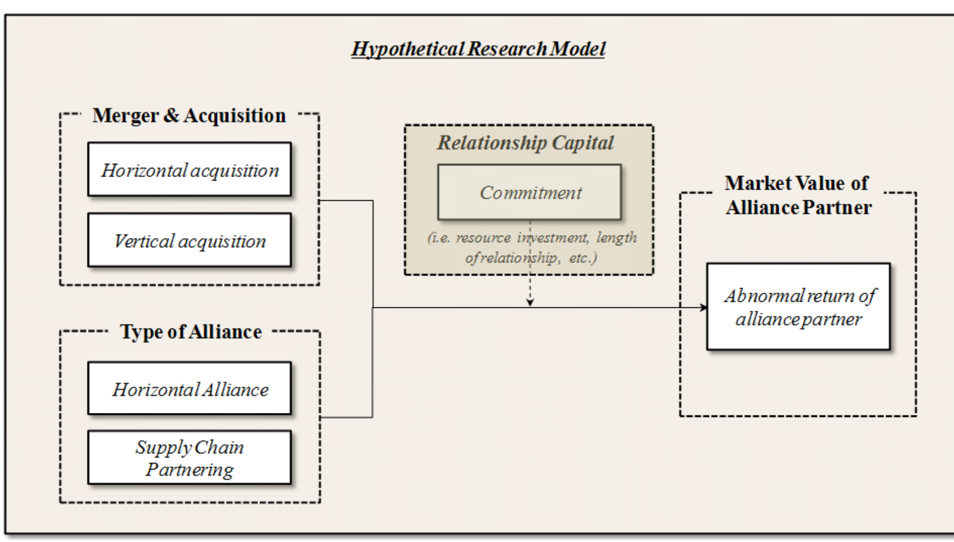
<Figure 2> Research objects covered by prior researches on M&A and alliance impact studies

So far, alliance and M&A had been regarded as alternative options pursuing similar strategic objective (Yang et al., 2011). In that sense, academic approaches embracing these two events at once had not been conducted frequently yet. Especially, when examining the impact and influence of an event, alliance and acquisition had been addressed in parallel (Folta & Miller, 2002; Porrini, 2004; Yang et al., 2011). Thus, taking those events in the same event horizon would be fairly meaningful academic approach. Particularly, addressing acquisition's impact on existing alliance and partnership network will enable us to have a novel insight for both theories of competitive strategy and alliance management perspectives.

Alliance and acquisitions are two important organizational activities for accessing external resources. Firms choose acquisition or alliance as a strategic option and it is regarded as mutually independent options to take. And, even in academic perspective, prior researches treat them as parallel in nature (Folta & Miller, 2002; Porrini, 2004). However, current complex business environment makes firms to be surrounded with multiple alliance partners and acquisition opportunities. Considering these complex business relations, thinking about acquisition decision's impact on existing firm relationship is meaningful. According to prior researches on acquisition and alliance, researchers address each event independently. And acquisition researches are often categorized along the deal process from target search to post-management (King et al., 2004). To implement a strategic decision such as M&A considering managing existing alliance network, impact of acquisition on the existing alliance should be properly addressed in advance. To avoid an unexpected negative respond from partner firms, which will eventually bring negative outcome to acquirer, acquiring firm managers need to approach this issue with extra prudence. Covering this practical and theoretical curiosity, future research can address the acquisition's impact on alliance partner's firm value by examining how acquisition announcements affect the stock market's valuation of acquiring firm's alliance partners.

these considerations, hypothetical future research model can be proposed as demonstrated in <Figure 3>.

Proposed academic approaches and associated theoretical assumptions are basically originated from the consideration of competitive strategy. According to many prior researches, acquisition within an industry produces severe influence on the industry. Prior researches asserted M&A between major buyers in an industry impacts on enhancing competition of existing suppliers (Snyder, 1996), and horizontal M&A gives benefits at the expense of existing suppliers' profitability and buyer's benefit will expand within the industry (Stigler, 1964). Song and Walkling (2000) also posited that acquisition affects positively on all population's abnormal return at an industry due to the enhanced probability to become a next acquisition target. Plus, regarding the impact of supply chain partners were addressed on a theoretical basis: Stigler (1964) pointed horizontal acquisition's impact of reducing the number of target industry participants, results in increasing probability of collusion with rivals. Eckbo (1983) also posited acquisition within an industry can take profits from supply chain partners through colluding with industry participants. And Snyder (1996) paid attention on increasing buyer power as a result of M&A and its impact of lowering input costs through leveraging intensified competition of suppliers. Thus, this study hypothesize horizontal acquisition would bring negative market respond for supply chain partners. Accordingly, this study draw hypotheses for the horizontal acquisition as below

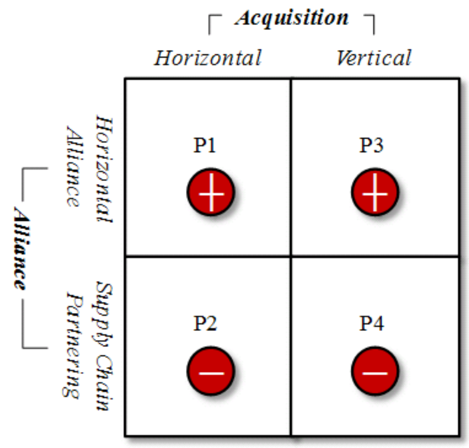


<Figure 3> Example of hypothetical research model containing comprehensive issues on impact of M&A and alliance related research

Future study could be initiated from questioning of how acquisition affects the market value of alliance partner and how the relationship is influenced by relationship capital (i.e. resource investment, length of alliance, etc.). Besides the overriding question above, questions regarding the impact of type of alliance (i.e. horizontal and vertical) and type of M&A (i.e. horizontal and vertical) can be raised as supplementary inquires. Reflecting

Hypothesis 1: Horizontal acquisition creates positive abnormal returns for horizontal alliance partners

Hypothesis 2: Horizontal acquisition has negative effect on stock price of supply chain partners of acquiring firm



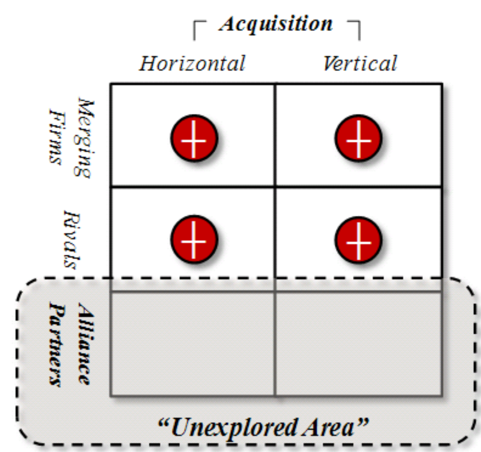
<Figure 4> Illustration of hypotheses

As for the vertical acquisition activities, similar but a bit different perspectives exist. Eckbo (1985) posited "Vertical integration (acquisition) helps increasing market power of merging firms. It enables intra-industry collusion which results industry-wide profits." Unlike horizontal acquisition, vertical acquisition can enhance its efficiency through integrating vertical value chains. Although the result could be same, but the way it operates is different. Generally vertical integration produces benefits through maximizing cost efficiency and vertically integrated firms exert their influence within industry by leveraging their reinforced corporate system. By extending this concept, vertically merging firms can use their enhanced market position to minimize input cost and increase output prices to avoid risks incurring a potential reduction of strategic flexibility from executing vertical integration (Harrigan, 1984, Porter, 1980, Chatterjee, 1991). This perspective pays attention on a disadvantage that vertically merged firms would confront. M&A is one of the biggest strategic commitment, requires significant amount of resources. So, acquisition, especially the vertical merger, accompanies restriction of resources and strategic flexibility. Thus, vertically merging firms would like to take benefits from different sources to be compensated. Firms around vertical mergerers should determine wins and losses more carefully. Consistently, this study expect hypothetical influence of vertical merger.

Hypothesis 3: Vertical acquisition creates positive abnormal returns for horizontal alliance partners

Hypothesis 4: Vertical acquisition is negatively associated with stock price of supply chain partners

As <Figure 5> indicates, prior academic researches regarding acquisition announcement's impact on surrounding stakeholders addressed existing theoretical considerations in various directions. Hypothetical impacts of M&A (e.g. horizontal and vertical acquisitions) on various stakeholders such as merging firms and rivals were addressed in empirical basis and successfully supported those hypothetical assertions as described in earlier chapter. However, some areas are still unexplored by any academic researchers in empirical way. Thus, the hypotheses described above will provide significant academic contributions by addressing acquisition announcement's impact on alliance partners with much specialized perspectives on alliance.



<Figure 5> Empirical findings covered by existing researches

In addition, through addressing proposed hypotheses in empirical basis, existing competitive dynamics theories can be expanded to the impact of alliance partners and would be able to adopt this theory into alliance management policies in practical perspective. However, since it can be regarded as a simple extension of the existing theoretical perspective, this study would like to add a new theory on different perspective to enhance an accountability of proposed research model. Many alliance researchers addressed alliance network and relationship issues to consider alliance and alliance portfolio management issues: Beamish and Banks (1987) asserted commitment affect enhancing alliance performance through reducing opportunistic behaviors. And Gulati et al. (1994) pointed out the nature of alliance makes firms in from win-lose type competitive dynamics to win-win situation. The major rationale for commitment is resource investment to start and maintain the relationship and resources can be equity contributions, knowledge/technology and human resources (Cullen et al., 1995). Resource investment for relationship will be naturally connected with commitment and the efforts and resources to maintain and enrich the relationship in the context of alliance can be said as relationship capital remains between alliance partners (Coleman, 1990). Considering its significant role to maintain the partnership, relationship capital should be regarded as an important element which optimizes alliance performance (Cullen et al., 2000). Consistent with these assertions, this study draw a hypothesis on acquiring firm's commitment for alliance partners as below:

Hypothesis 5: Acquiring firm's commitment for alliance partners positively moderates acquisition's impact on abnormal returns for alliance partners

With all above commented considerations, industry characteristics will be one of the interesting aspect that can be addressed in future study. As described earlier, many scholars already paid attention on the retail industry players' nature of strong attachment with allinace partners (Ghisi et al., 2008; Barratt & Oke, 2007; Chung & Cho, 2013). Thus, a comparitive analysis on the acquisition announcement's impact across industry would be meaningful in both academic and practical perspective. Through extending theoretical considerations on the impact of acquisitions to the relationship with alliance partners, proposed approach expand the objective of research to the alliance partners, which had been addressed independently so far. Plus, by inducing relationship theories altogether, research result will be able to account for multiple issues and allow comprehensive perspectives eventually. This novel approach would be contributable to academic dimension with satisfying practical demands.

4. Discussions

Alliance and acquisition have become the most popular strategic options accessing external resources. Academic approaches regarding these two strategic initiatives had been conducted in a parallel basis. There are many research streams covering alliance and acquisition. Particularly, the event studies on acquisition and alliance examine associated changes in competitive dynamics and estimate the impact on stakeholders in the industry. Research findings of event studies support many corresponding theoretical assertions and provide hints for the way to manage these two big events in practical perspective. Existing researches support a positive association between focal firm's equity value and alliance while showing negative correlation with supply chain partners. Yet, unfortunately, research results of M&A's influence on surrounding business entities had not been consistent.

In a more fundamental perspective, prior researches had been focusing on only either M&A or alliance so that it is necessary to take into account these two events at the same time and consider the mutual relationship with each other. In addition, research objectives as business entities get influenced by taking these strategic options are limited to direct participants and rivals. Thus, considering the impact on the existing partnership would be meaningful in both practical and theoretical perspective. Obviously, current business environment becomes more complex and requires a comprehensive and overarching theory that can penetrate and embrace overall issues at once. Plus, beyond existing theoretical perspectives such as theory of competitive strategy, organizational learning and so on, compounding a relationship based perspective when considering the impact of these events, would be meaningful and contributable for understanding current complex business environment, resulted by various strategic decisions and accompanying diverse activities. In addition with setting a theory accounting for phenomena, this compositive perspective will provide lessons on the way to manage corporate strategic relationship while considering any further strategic commitment such as M&A or another alliance.

Furthermore, considering recent increase in cross-border transactions and growing attention on the way how to manage business networks, academic approaches on managing international alliance network and acquisitions would be one of the interesting research themes. Plus, considering the difference of the way to perceive social relationship by country, comparing the difference by country or region would be meaningful in the future study. Once setting extended perspective from solid prior theoretical foundations, many other interesting addresses would be possible. Thus, it seems the most important to go one step forward based on solid prior research foundations.

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