CHAPTER 6

GENERAL DISCUSSION ON THE POLYCENTRICITY OF EXPANSION STRATEGIES

In this dissertation, we adopt a polycentric perspective when examining the origins and performance of expansion strategies. Based on four different studies, we explore theoretical macro-level and interpersonal micro-level explanations of the formation of arrangements such as alliances, JVs, and M&As. More specifically, study one explores RDT as one of the primary explanations for arrangement formation. In turn, study two builds on the first study and specifically assesses the relationship between an organization’s urge to overcome dependence and its desire to enhance its performance by integrating vertically or horizontally. Our third study examines the performance of expansion strategies by comparing the different types of performance that are often included in prior research and by exploring several boundary conditions. In study four, a more micro-level perspective is used to explore the impact of the interaction between advisors and decision makers on acquisition behavior. Our findings suggest that a combination of environmental, organizational, contextual, and interpersonal factors explain the origins and outcomes of expansion strategies. In particular, these factors seem to be more interrelated than has been previously explored in studies that assess how organizations can maintain their performance. Our discussion of these findings proceeds as follows. First, we describe the highlights of the studies included in this dissertation. Then, we consider how the studies elucidate several overlapping common denominators related to the polycentricity of expansion strategies. We then discuss the effects of several limitations of our findings and how they relate to future research. We conclude by discussing the broader managerial implications of the studies included in this dissertation.

6.1 Highlights of Findings

The findings in study one synthesize the results of research on Resource Dependence Theory (RDT) as one of the most important frameworks for understanding the formation of expansion strategies. We show that organizations respond to resource dependencies by forming interorganizational arrangements such as interlocks, alliances, JVs, in-sourcing arrangements, and M&As. In turn, these arrangements make organizations more autonomous and more legitimate. Consequently, we extend RDT in three ways. First, we ‘unpack’ the theory by showing that the mechanisms linking arrangement formation to organizational
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autonomy and legitimacy differ across arrangements. Second, we address the question of whether RDT is also a theory of organizational performance. We find that whereas autonomy positively mediates the relationship between arrangement formation and performance, legitimacy does not. This finding suggests that RDT can also explain organizational actions that are motivated by the goal of societal acceptance rather than that of economic performance. Third, we assess whether competition law is a boundary condition for RDT’s prescriptions. More specifically, we show that the adoption of the Horizontal Merger Guidelines in the U.S. has caused organizations to avoid mergers in favor of less-regulated arrangements such as alliances and JVs and that this change has decreased the profitability of the remaining mergers.

Study two explores the question of how organizations decide between vertical and horizontal expansion strategies. By synthesizing 224 studies in a meta-analysis that relates resource dependence to the formation of alliances, JVs, and M&As as well as their performance, we contribute to the literature in three ways. First, we expand Pfeffer and Salancik’s (1978) RDT model by relating resource dependence to the complementarity and similarity of an organization and the vertical or horizontal arrangement that the firm pursues. Our findings provide generalizable evidence that organizations prefer vertical and horizontal M&As to alliances and JVs as they seek to gain control over their business columns and enhance their market share. Second, we explore the performance effects of vertical and horizontal expansion strategies and find that all vertical expansions strategies enhance an organization’s autonomy, legitimacy, and performance. However, this relationship is weaker for vertical M&As, and our model suggests that an organization’s performance improves as a result of its autonomy and legitimacy. In addition, horizontal M&As enhance an organization’s autonomy and legitimacy but they do not affect its overall performance. This discrepancy may be due to the fact that organizations have to pay higher premiums for a competitor, which makes it more difficult to recover synergies, as increasing efficiency often takes longer and requires considerable reorganization costs (Hitt et al., 2009b; Krishnan et al., 2007). In turn, horizontal alliances appear to truly benefit organizations in terms of autonomy, legitimacy, and performance. In conclusion, because organizational autonomy and legitimacy are found to act as drivers of arrangement performance, the question arises of whether arrangements are formed to enhance performance per se.

Third, in addition to exploring the effects of prior relationships between cooperative parties on an organization’s strategic behavior, we also explore the correlation between organizational characteristics such as a firm’s size, age, leverage, and prior cooperative
experience and the formation of specific vertical and horizontal interorganizational arrangements. Although some of these factors are included in almost every study as control variables, we find substantial variation in their effects. For example, organizations that are larger and older exhibit a greater tendency toward any type of alliance and JVs and horizontal M&As. Moreover, prior cooperative experience positively relates to vertical and horizontal alliances and M&As and to horizontal JVs, which suggests that organizations often cooperate in business groups or networks before cooperating more intensively. In short, these findings suggest that different organizational characteristics can act as boundary conditions for interorganizational arrangement formation and performance.

Although studies one and two indicate that organizations initiate alliances, JVs, and M&As to increase their autonomy and improve their performance, empirical research indicates substantial differences between various types of performance. Moreover, these findings have encouraged researchers to explore the different boundary conditions for the performance of expansion strategies pursued by organizations. In study three, we therefore synthesize 204 tests of the performance of expansion strategies and find that alliances and M&As minimally enhance an organization’s substantive performance, whereas no positive performance effect is found for JVs. In turn, all three expansion strategies boost an organization’s symbolic performance in terms of its legitimacy and status. After establishing these stylized facts, we use meta-analytic regression analysis and other techniques to reconcile counterintuitive findings regarding arrangement performance in three ways. First, we disaggregate alliance, JV, and M&A performance. We then show that alliances and M&As both positively contribute to an organization’s accounting-based performance, whereas only the former spurs an organization’s market-based returns. This finding suggests that M&As seem to have more long-term effects. Second, we assess whether the difference between vertical and horizontal arrangements and the institutional context in which an arrangement takes place act as boundary conditions for their performance. More specifically, we show that vertical alliances and M&As are associated with better performance than their horizontal counterparts. Moreover, we see that firms from developing and developed markets mostly benefit from pursuing alliances that allow them to access countries with a dissimilar context. Finally, we examine the possible relationships between differences in research design and output and different results, and we show that several study artifacts are associated with specific performance results. Overall, these findings allow us to develop an evidence-based research agenda for future research on expansion strategies.
The first three studies all note that expansion strategies do not always positively contribute to performance, possibly because of the existence of several individual, interpersonal, and other micro-level factors that complement prior explanations. This fact may explain why acquisitions have frequently not yielded the desired results. Consequently, we have decided to explore the relationship between advisors and decision makers during the preacquisition process in study four. Building on a unique dataset from six in-depth case studies, we investigate how several firm-level, contextual, and personal factors influence acquisition behavior and determine how the resulting dynamics affect acquisition outcomes. Through this study, we contribute to the literature in three ways. First, we unpack acquisition behavior by showing how advisors use arguments based on the aforementioned factors to persuade decision makers to pursue acquisitions. Second, we explore how advisors interact with decision makers to encourage them to pursue acquisitions while preserving their ignorance and even promoting information asymmetries. Through this inquiry, we reveal the dual role of advisors, who seem to simultaneously generate and increase momentum. Finally, we assess the relationship between acquisition behavior and acquisition outcomes. More specifically, we show how preacquisition processes form the basis of the creation and destruction of value in acquisitions. Figure 6.1 provides an overview of the relationships between the several constructs used in this dissertation. In Table 6.1 we present an overview of the main findings and conclusions of the studies in this dissertation.

Figure 6.1: Overview of the various posed relationships in this dissertation
Table 6.1: Main findings and conclusions

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<th>Chapter</th>
<th>Study</th>
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<tr>
<td>2.</td>
<td>1.</td>
<td>Synthesizing and extending resource dependence theory: A meta-analysis</td>
<td>• Organizations respond to resource dependencies by forming interorganizational arrangements such as interlocks, alliances, joint ventures, in-sourcing arrangements, and mergers and acquisitions. &lt;br&gt;• The mechanisms linking arrangement formation to organizational autonomy and legitimacy differ across arrangements. &lt;br&gt;• The adoption of the Horizontal Merger Guidelines in the US in 1992 has caused organizations to avoid M&amp;As in favor of less-regulated arrangements such as alliances and joint ventures and has hurt their profitability.</td>
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<td>2.</td>
<td>Drivers of expansion strategies: Autonomy versus performance</td>
<td>• Although organizations respond to dependencies by forming interorganizational arrangements, it seems that they do this by comparing different arrangements and their effects on autonomy and performance.</td>
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<td>3.</td>
<td>2.</td>
<td>Drivers of expansion strategies: Autonomy versus performance</td>
<td>• Organizations prefer vertical and horizontal M&amp;As to alliances and JVs as a means to gain control over their business column and enhance their market share. &lt;br&gt;• The performance of expansion strategies – M&amp;As in particular – is positive but seems to be mediated by their effects on an organization’s autonomy and legitimacy.</td>
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<td>• When forming arrangements, organizations often have to make a tradeoff between decreasing dependence and enhancing performance. We conclude that organizations predominantly aim to solve this issue by integrating vertically to overcome dependence and integrating horizontally to enhance performance.</td>
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### Chapter 6: General Discussion

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<td>4.</td>
<td>3.</td>
<td>(Dis)aggregating alliance, joint venture, and merger and acquisition performance: A meta-analysis</td>
<td>• The different types of performance included in studies on expansion strategies may explain a large part of the convergence in findings and explanations. In turn, these differences appear to be the result of several boundary conditions and study artifacts.</td>
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<td>• Alliances and M&amp;As both positively contribute to an organization's accounting-based performance, but only the former enhances their market-based performance.</td>
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<td>• Organizations from developing markets benefit from accessing developed countries through alliances, which enables them to learn.</td>
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<td>• The results of studies on expansion strategy are affected by the research methods used.</td>
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<td>• There is substantial variation in the performance of expansion strategies across the different ‘major’ management journals.</td>
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<td>5.</td>
<td>4.</td>
<td>Unpacking acquisition behavior: How advisors propel decision makers’ deal-driven orientation</td>
<td>• We expose the dual role of advisors, who seem to simultaneously generate and escalate acquisition momentum.</td>
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<td>• Advisors use arguments based on firm-level, contextual, and personal factors to persuade decision makers to pursue acquisitions.</td>
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<td>• The interaction between advisors and decision makers can encourage them to make deals and can generate influential information asymmetries.</td>
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<td>• We find that preacquisition processes form the basis of the creation and destruction of value in acquisitions.</td>
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6.2.1 Common denominator 1: Theories on the formation of expansion strategies

The findings in studies one, two, and three suggest that RDT and other theories can be further integrated in the discussion of the formation and performance of expansion strategies. In particular, concepts derived from the resource-based view, transaction cost theory, and agency and institutional theory may explain why organizations cooperate and perform in certain ways. For example, the adoption of expansion strategies may be the result of an organization’s desire to gain competitive advantage by making better use of underutilized resources, which allows the organization to enhance its performance (Barney, 1991; Penrose, 1959). Likewise, the reduction of transaction costs and the optimal management of resource specificity may be motivations for choosing alliances, JVs, and M&As (Geyskens et al., 2006; Williamson, 1975). Moreover, the actors involved in deciding to pursue a certain expansion strategy can have a significant impact on the process preceding its formation (see study four). More specifically, the personal incentives and characteristics of decision makers can lead to the selection of different expansion strategies (Hayward & Hambrick, 1997; Roll, 1986). These incentives can encourage stakeholders such as shareholders to act in their own interest and to pursue expansion strategies that are not in the best interest of an organization.

Organization theorists frequently classify RDT as a ‘modern’ theory that explains organizational behavior in the face of task-environmental pressure and institutional theory as a ‘symbolic’ theory that captures organizational responses to pressures that originate from their institutional environments (Hatch & Cunliffe, 2006; Oliver, 1997). Prior research has shown that this classification of institutional theory is incorrect because the central phenomenon captured by this theory – interorganizational isomorphism – has clear task-environmental consequences (Heugens & Lander, 2009). Similarly, studies one and two show that this characterization of RDT is incorrect. RDT’s central phenomenon – the formation of arrangements – not only serves to maintain an organization’s substantive performance in relation to task-environmental challenges but also functions to safeguard the organization’s symbolic performance and legitimacy in the face of institutional-environmental pressures. It seems that the social evaluations to which organizations are subjected depend in no small part on how they choose to manage their resource dependencies (Pfeffer & Salancik, 1978). In short, resource dependencies are more than material pressures alone and can simultaneously be regarded as institutional pressures to which firms must craft symbolic responses (Heugens & Lander, 2009). Hence, in addition to RDT, other theories also help to explain the origins and performance of expansion
strategies. More specifically, our findings suggest that several theories can be applied and further integrated as partial explanations for the behavior and performance of interorganizational arrangements. We demonstrate this phenomenon in the following assertion:

**Assertion 1**: RDT and other theories such as institutional theory, the resource-based view, transaction cost theory, and agency theory can be further integrated to more fully explain aspects of the formation and performance of expansion strategies.

6.2.2 Common denominator 2: The performance of expansion strategies

When choosing between various expansion strategies, organizations make a trade-off between greater control over resource providers and minimizing uncertainty against future operational and strategic flexibility. Studies one, two, and three suggest that arrangements that help to achieve both of these objectives, such as strategic alliances, have a relatively greater impact on a firm’s substantive performance than less well-balanced alternatives such as M&As (which provide substantial control but significantly erode an organization’s future flexibility). In addition, several arguments have been made regarding the relatively large substantive performance-enhancing capacity of alliances. First, alliances act as key conduits for organizational learning. Prior alliance experience on the part of merging firms tends to enhance synergy during integration and to positively influence long-term accounting returns (Haleblian et al., 2009; Porrini, 2004). Second, alliances may be preferable to M&As as a way to cope with competitive interdependence, as resource dependencies can be absorbed selectively without the need to absorb and subsequently manage unnecessary resources, thus reducing coordination costs (Pfeffer & Nowak, 1976a).

Moreover, invasive arrangements such as JVs and M&As often comprise suboptimal vehicles for maximizing performance. They offer the focal firm greater behavioral control over formerly independent resource providers, but they can also substantially undermine the focal firm’s competitive position when changing competitive conditions demand that the firm adapt and restructure (Haspeslagh & Jemison, 1991; Hitt et al., 2009b; Porrini, 2004). Our findings in study three show that less invasive arrangements such as alliances may improve measures of short-term market-based performance such as abnormal returns. In contrast, M&As often have negative effects because they reduce the chance of short-term value creation and create a need for extra investments. In turn, the performance of M&As is more visible in long-run accounting-based returns, as only then is it possible to determine whether a
cooperative arrangement has truly created value. Because the performance of more invasive arrangements such as M&As is often measured in the short term in assessments of the effects of announcements on share price, a better understanding of the performance of M&As can be obtained using long-term accounting-based measures (Zollo & Meier, 2008). Thus, it is necessary to compare the short-term market-based performance of expansion strategies with their long-term accounting-based performance.

In our qualitative study of acquisition behavior (study four), we shed extra light on why some acquisitions appear to destroy value while others create value. Whereas prior literature has noted that managerial, organizational, and deal-specific characteristics in different forms may present impediments to value creation following acquisitions (Angwin, 2004; Graebner, 2004, 2009; Hitt et al., 1998; Jemison & Sitkin, 1986; Laamanen, 2007; Sirower, 1997), we observe that these factors – sometimes in combination – are already visible during the preacquisition process. Consistent with prior research, for example, several of our cases show that a lack of integration planning can lead to the failure of acquisitions (Ashkenas et al., 1998). Moreover, as the existing literature suggests, the role of external advisors can be biased. Our data support the idea that it is unlikely that potential acquirers’ advisors begin their work with the hope of learning that a target firm is unworthy of being acquired by their clients (Garbuio et al., 2011). This dynamic may result in possible agency problems (Eisenhardt, 1989a). Because advising parties are found to have a significant impact on a manager’s deal-driven orientation and on the decision-making process at large, it is important to manage them well. Study four addresses the interaction between advisors and decision makers and identifies several factors that can encourage value-destroying acquisitions. In particular, information asymmetries can render a decision maker more likely to make a deal. Together, a decision maker’s eagerness to make a transaction and these information asymmetries are often the basis for acquisition behavior. However, when a decision maker is over eager and when the information asymmetry is too great, the wrong deals are sometimes made, and value destruction results.

Our findings suggest that several underlying factors and boundary conditions impact an organization’s strategic behavior. In particular, they show that it is not performance per se that is the main driver of expansion strategies. Instead, there appears to be a wide variety of explanations for expansion strategies, which have partly been scrutinized in this dissertation. In addition, the findings suggest that organizations sometimes form arrangements as a preemptive move, not wanting to ‘miss the boat.’ Although the performance of expansion strategies is important for the stakeholders involved, the opportunity to reduce resource
dependence and enhance organizational autonomy may be most helpful in the short term. Hence, organizations not only specifically aim to improve their performance but also focus on overcoming dependencies (Hillman et al., 2009) and staying afloat. Thus, we can suggest the following proposition:

**Proposition 1:** Although organizations make a tradeoff between improving autonomy and improving performance when selecting specific expansion strategies, they perform best when primarily focusing on the former, which seems to enhance performance in the long run.

6.2.3 Common denominator 3: The interrelatedness of expansion strategies

Several scholars have argued that as tools for achieving organizational growth, alliances, JVs, and M&As should be regarded as substitutes that are highly interrelated (e.g., Barringer & Harrison, 2000; Kogut, 1988; Porrini, 2004; Shi et al., 2012; Villalonga & McGahan, 2005; Wang & Zajac, 2007). However, in examining the experience that organizations have with acquisitions, prior meta-analyses have not found an effect on acquisition outcomes (King et al., 2004). Still, arrangement formation may have learning effects (Shi et al., 2011). More specifically, cooperative experience through prior patents, alliances, JVs, and M&As can result in subsequent interorganizational arrangement formation. First, firms may prefer to set up a less invasive arrangement such as an alliance or JV before opting for a more resource- and capital-expensive arrangement such as an acquisition. A previous arrangement such as an alliance with a target can allow an acquirer or joint venture partner to access very specific information about the target’s potential fit and can provide some insight into the target’s firm-specific resources (Kale, Singh & Perlmutter, 2000).

Second, organizational learning explanations can be a particularly important reason to select various governance choices (Villalonga & McGahan, 2005). Firms may aim to form different arrangements to develop specialized capabilities and enhance their chance of gaining competitive advantage. Prior work has addressed this point and has shown, for example, that prior manufacturing and marketing alliances contribute positively to acquisition performance (Porrini, 2004), whereas licensing-type alliances do not. Third, firms are sometimes not allowed to merge or to acquire particular targets due to antitrust legislation, and they therefore opt for a different arrangement that does not require them to face these challenges (cf. study one). In sum, several arguments suggest that alliances, JVs, and M&As are interrelated through the experience that organizations have with forming them (Barkema & Schijven,
2008; Hitt et al., 2009b; Shi et al., 2011; Villalonga & McGahan, 2005). Currently, it is difficult to say whether experience with one specific type of arrangement also results in the formation of other types of arrangements.

In study one (included as prior ties) and study two (included as cooperative experience), we have included cooperative experience as an aggregated variable that includes all types of prior arrangements and relationships through patents, alliances, JVs, and M&As. Interestingly, our data provide the opportunity to disaggregate the specific types of cooperative experience with patents, alliances, JVs, and M&As. To assess their effects on arrangement formation, we have performed an additional effect size estimation and a comparison analysis similar to those performed in studies one and two (Feingold, 1992) to examine the relationship between the experience organizations have with patents, alliances, JVs, and M&As and the formation of these arrangements (see Table B.1 and B.2 in the Appendix B for the correlation table and the results of the comparison of the effect sizes). We find that under cooperative experience, alliances are formed more easily than JVs and M&As ($z = 24.05; z = 28.50; \text{both } p < .001$) and JVs more easily than M&As ($z = 3.89; \ p < .001$). Firms with prior alliance and M&A experience prefer to form similar arrangements when they have previously done so, and they may find it difficult to form other arrangements. This finding suggests that firms strive to learn by forming similar arrangements more than once (Barkema & Schijven, 2008). Moreover, it gives the impression that firms find it difficult to choose a different expansion strategy when they have decided to pursue growth through alliances or acquisitions. Our findings also show that organizations that have previously cooperated through JVs do not tend to use JVs again but prefer to expand through M&As ($z = -5.72; \ p < .001$). This preference may indicate that organizations are often unsatisfied with the results of their JVs or that they later decide to acquire their JV partners. Moreover, firms that have experience with patents prefer to further develop these arrangements through JVs ($z = -2.52; \ p < .001$) or M&As ($z = -1.83; \ p < .05$) rather than alliances. In combination with the finding that organizations prefer other arrangements following JVs, these findings suggest that organizations may employ a real option logic and pursue either more integration or closure following a JV (Reuer & Tong, 2005; Tong et al., 2008). In turn, organizations may also find it difficult to manage information leaks and may expect that requesting equity commitments or engaging in M&As will confer greater control and benefits. These phenomena may also explain why we find that organizations that have obtained approval for a patent often follow up with a more equity-intensive arrangement to make it a success.
Although previous studies suggest that organizations may follow a certain evolutionary process when rolling out a strategy that is intended to improve their performance by first opting for a less invasive alliance and then making arrangements that require more equity investments (e.g., Dyer, Kale & Singh, 2004; Kogut, 1988; Porrini, 2004; Shi et al., 2012; Wang & Zajac, 2007). Our findings, however, indicate that the more experience with a specific arrangement, the greater the likelihood of using that arrangement in the future. Organizations that have previously chosen alliances and M&As prefer similar types of arrangements, whereas organizations that have previously invested in JVs prefer M&As. This finding suggests that firms often use one specific strategy to expand, selecting either alliances or equity investments and acquisitions (cf. the results in studies one, two, and three). Whereas prior studies have assessed the performance effects of expansion strategies in isolation (e.g., Brannick, 1995; Kale, Dyer & Singh, 2002b; Zollo et al., 2002), our findings show that alliances, JVs, and M&As are interrelated through firms’ experience with them. More specifically, organizations seem to base their type of expansion strategy not on possible performance but on this type of experience. Because all of the studies in this dissertation suggest in some way that performance is not always the main driver of the formation of alliances, JVs, and M&As, we conclude that experience should be considered as a driver of the formation of expansion strategies among firms:

**Proposition 2:** Expansion strategies are interrelated through firms’ experience with them; organizations will prefer either alliances or acquisitions when they seek to cope with dependencies or improve performance.

6.2.4 Common denominator 4: The effect of antitrust legislation on expansion strategies

Several of our studies hint at the impact of antitrust legislation firms’ intention to pursue particular expansion strategies. In study one, we show that since 1992 U.S. corporations have favored alliances and JVs as a consequence of the new Horizontal Merger Guidelines that were introduced at that time. This trend is supported by study two, in which our findings suggest that antitrust legislation is one of the reasons why organizations opt to form a horizontal alliance or JV instead of acquiring a counterparty. Moreover, we see that advisors sometimes use these guidelines to persuade their clients to acquire a certain firm because the acquisition will be approved by legislative bodies (study four). Antitrust legislation also affects performance. Study one notes that whereas the performance effects of
interlocks, alliances, and JVs has remained stable since the introduction of the new Horizontal Merger Guidelines in the US, the performance of M&As have declined sharply.

Theoretically, our findings suggest that the predictive potential of RDT is affected by anticompetitive regimes. The more stringent the regime, the weaker the potential of RDT to predict the formation of expansion strategies. Furthermore, our findings indicate several side effects of antitrust legislation, meant to reduce the number of horizontal mergers that reduce competition or create a monopoly (Matsusaka, 1996). First, our results suggest that the choice of particular expansion strategies is not always unrestricted. More specifically, antitrust legislation has resulted in the adoption of less regulated expansion strategies such as the use of alliances and JVs, whereas M&As are less popular. Second, antitrust legislation has also affected the performance of M&As, making it more difficult for firms to benefit from horizontal partners because regulators insist on divesting certain parts of an acquired competitor. Similarly, this legislation also increases the price of targets, as there are often only certain organizations that can be acquired, which increases competition. In short, antitrust legislation has influenced the formation and performance of expansion strategies, as suggested below.

**Proposition 3**: Antitrust legislation has caused organizations to adopt less regulated expansion strategies by selecting alliances and JVs and it has hurt the profitability of the remaining M&As.

### 6.3 Limitations and Suggestions for Future Research

This dissertation explores the origins and performance of expansion strategies by taking a polycentric perspective. Expansion strategies such as the use of alliances, JVs, and M&As are related to theoretical and interpersonal explanations of their formation. Moreover, we explore whether there are differences in preferences regarding vertical and horizontal arrangements and in the performance of those arrangements. We also compare the performance of the different types of expansion strategies and relate this information to several boundary conditions and study artifacts. Although we made concerted efforts to be thorough in studying expansion strategies, our findings can be improved from a methodological and theoretical perspective due to the polycentricity of expansion strategies.

Regarding the methodology used here, it is important to note that the data sets used in meta-analyses are often the result of data collection by the author(s), who must make choices when coding the different studies into one data file. Although the author of this dissertation
has done his utmost effort to code the data concisely and in the correct order, coding is often a subjective process that can impact the outcome. Therefore, the dissertation discusses this process several times, and the author has given examples of how the coding proceeded. Still, these methods can be further improved in two ways. First, one or all of the other involved author(s) can be asked to code (parts of) the included studies. Second, any ambiguity with regard to the variables used can be addressed, as this ambiguity may generate differences in the findings. Studies are sometimes unclear regarding the basis of their sample or the definitions used. This problem may be overcome if the authors of the included studies are willing to fill out a coding manual. This process may help to clarify what is meant by the variables in a particular study. We have tried to be as specific as possible in identifying an arrangement as an alliance, which does not involve an equity investment (for the definition of an alliance, see Table 2.1 in study one; cf Gulati, 1998), and we define a JV as a “distinct organizational entity set up to jointly develop a product or share a technology, generally involving an equity investment” (Ahuja, 2000). Thus, most of the effect sizes for the JVs in our sample are evenly distributed equity contributions, and studies that reported otherwise were excluded from our sample.

Although the level of support for our meta-analytical findings is encouraging, it must be noted that the effect sizes are small by conventional standards for establishing the magnitude of their cumulative effects (Cohen, 1988). However, these findings are quite comparable to those that were recently retrieved for other macro-management theories (Combs et al., 2011) such as institutional theory (predicting the effect of institutional forces on isomorphism; .07 – .08; Heugens & Lander, 2009), transaction cost theory (predicting the effect of transaction characteristics on hierarchical governance; -.08 – .16; Geyskens et al., 2006), and the resource-based view (predicting the effect of resource characteristics on organizational performance; .09 – .23; Crook et al., 2008). In other words, our findings geared toward RDT’s explanatory power is similar to that of other major approaches in the relevant comparison group of macro-organizational theories (Combs et al., 2011). However, because the effect sizes are quite small, there is room for further theoretical work to explain why organizations pursue certain expansion strategies, particularly under other environmental pressures such as isomorphisms and mimetic pressures (cf. DiMaggio & Powell, 1983; Oliver, 1997). Similarly, other theories may shed light on the formation of expansion strategies. In fact, it may be possible to further reconcile the theories that explain arrangement formation and to discuss and study their interaction. We can identify two ways to study this question. First, it may be possible to study the eclectic imperialism of, for example RDT, transaction
cost theory, and the resource-based view by correlating the moment of publication to the popularity of these theories. This approach would be consistent with the reasoning that Brayden King (2011) presents in his piece titled “What happened to resource dependence theory,” in which he relates RDT to population ecology (Hannan & Freeman, 1977) and institutional theory (DiMaggio & Powell, 1983).

Second, the findings in studies two and three, which suggest that the direction of expansion strategies impacts an organization’s autonomy and performance can be further improved. In particular, it is possible to examine the impact of specific types of dependence (power imbalance or mutual dependence) on the type of vertical or horizontal arrangements formed. In exploring these two aspects, organizational theorists may better learn how organizations respond to specific dependencies and to other (environmental and interpersonal) pressures. Likewise, because higher costs may be associated with horizontal expansion strategies, there may also be substantial performance differences in the long- and short-term or substantial differences in market-based and accounting-based returns. Hence, we propose to conduct more research on the effects of expansion strategies over time so as to determine why some arrangements prevail more often or perform better than others.

Although we know that experience with alliances, JVs, and M&As can encourage firms to select these options, it remains unclear whether such experience also enhances firm performance. Some suggest that expansion strategies such as the use of alliances, JVs, and M&As are interrelated and benefit from different transition effects (e.g., Ariño, Ragozzino & Reuer, 2008; Graebner, 2004; Hillman et al., 2009; Vanhaverbeke et al., 2002). Although we find some evidence in studies one and two that supports this theory, more exploration seems necessary. It is possible that organizations make a tradeoff in deciding between acting on the experience that they have and attempting to achieve the potential performance effects of an arrangement. This idea calls for further research that structurally models the different types of experience together with the formation and performance of expansion strategies. More specifically, by examining the effects that experience may have on the formation of alliances, JVs, and M&As, we can determine the relationship between these generic types of interorganizational arrangements and understand the tradeoff that organizations make between performance enhancement and, for example, learning objectives (cf. Porrini, 2004; Vanhaverbeke et al., 2002; Villalonga & McGahan, 2005; Wang & Zajac, 2007).

In addition to exploring the origins and performance of expansion strategies by considering theoretical explanations, we also assess the occurrence of acquisitions on a behavioral level. However, although we find that the interaction between advisors and
decision makers results in a deal-driven orientation and information asymmetries, it has been noted that other micro-level factors, three in particular, also impact the formation and performance of these arrangements. First, trust between the joining parties can be of paramount importance to the success of a transaction (Graebner, 2009). Second, hubris and narcissistic traits (as also addressed in study four) can have severe negative effects on the actions of decision makers (Hayward & Hambrick, 1997; Roll, 1986) that are not the result of the interactions between advisors and decision makers. Finally, cultural and organizational fit can impact the outcome of M&As and other types of arrangements (Dyer, Kale & Singh, 2001; Epstein, 2004; Weber & Camerer, 2003). In short, there are multiple other factors that affect the prevalence and performance of M&As and other expansion strategies. Thus, more research can explore the effect of these factors on (1) the prevalence of different expansion strategies, (2) the performance of expansion strategies, and (3) the decision between arrangements, as these factors may be more important for alliances (in which trust is essential) than for acquisitions (in which status and hubris are potentially important factors). Furthermore, studies one and two show that autonomy may be a driver of expansion strategies. In combination with the findings in study four, which indicate that personal factors can impact the decision to pursue a transaction, these findings show that there may be an overlap or relationship between these factors, warranting further study. In addition, although fit has not been thoroughly addressed in this study, strategic and organizational fit can have a severe impact on the outcome of arrangements (cf. Jemison & Sitkin, 1986). Hence, it is important to determine whether an alliance or M&A is consistent with an organization’s strategy, as the potential for positive returns will be greater in such cases.

This dissertation analyzes the polycentricity of the formation and performance of expansion strategies by examining several macro- and micro-level factors. However, some of our findings hint at the impact of meso-level factors such as industrial and institutional contexts. In studies one and three, we assess whether there is variation in the effect sizes associated with the prevalence and performance of expansion strategies in different industrial contexts. For instance, we observe that arrangements are formed more often within the technology industry. However, regarding the effects of arrangements on performance, we find conflicting evidence. In study one, we find that the performance effect of arrangements formed within the technology industry is greater. This result contrasts with our findings in study three that indicated that performance is lower within the high-tech industry. We see two reasons for this inconsistency. First, in study one, we include interlocking and in-sourcing arrangements as well as alliances, JVs, and M&As, whereas the results in study three are
based only on the latter three. Second, the differences in the findings may be the result of the choices that are made when a meta-analysis is performed. More specifically, the dummy variable that represents the technology industry in study one is based on organizations that are active in the computer, IT, bio-tech, and pharmaceutical industries, whereas we separate these industries in study three, with the high-tech industry representing the first two industries. Legislation can also have a severe impact on the arrangements formed within different industries. For example, if an industry is very dense and only consists of a few organizations, horizontal mergers may have been prohibited due to antitrust issues or because there are no alternatives, and as a result, organizations might seek expansion through other types of arrangements. Hence, whereas we assess the effects of antitrust legislation without specifically examining particular industries, it may be worthwhile to go a step further and specifically assess the effects of antitrust legislation on organizational expansion strategies in different industrial contexts. In short, the industrial context can impact the choice of a particular expansion strategy and its subsequent performance.

Overall, we have explored the impact of the institutional context, whether it is developing or developed. However, other contextual factors may also impact the formation of expansion strategies. On a country level, the rule of law or the tax climate may impact the choice to establish an arrangement with an organization in a certain country (Djankov, La Porta, Lopez-de-Silanes & Shlefer, 2008; Kaufmann, Kraay & Mastruzzi, 2006). Likewise, the legislative climate can impact the choices that organizations and individuals make. We find that organizations tend to opt for more flexible arrangements when legislation is stricter, which may hamper the decision to pursue a certain strategy. Overall, the institutional climate can affect the explanatory power of RDT and of other variables that impact the origins and performance of expansion strategies.

6.4 Managerial Implications

The findings in this dissertation have several managerial implications that are related to the origins of expansion strategies, the specific types of arrangements pursued, and how expansion strategies benefit organizations. Our results show that in choosing a type of arrangement to manage and alleviate resource dependencies, organizations must make two separate deliberations. First, if they are primarily interested in improving their autonomy (cf. Oliver, 1991a), they must choose arrangement types that preserve their strategic flexibility (Gerwin, 1993; Hillman et al., 2009; Santos & Eisenhardt, 2005). In this regard, a distinction must be drawn between less-invasive non-ownership-based arrangements such as interlocks,
alliances, and in-sourcing and ownership-based arrangements that decrease flexibility, such as JVs and M&As. The equity commitments associated with the latter arrangement types appear to forestall autonomy improvements. Second, if organizations are primarily interested in improving their legitimacy (cf. Suchman, 1995), they must choose interorganizational arrangement types that create highly visible linkages with reputed outsiders (Certo, 2003; Pollock et al., 2010). In contrast, in-sourcing arrangements (included in study one) may be instrumental in countering resource dependencies, but because they do not liaise the focal organization with admired external constituents, they cannot act as a conduit for positive legitimacy spillover. In summary, when organizations want to enhance their autonomy, interlocks and alliances are their primary options, whereas legitimacy can increase through any type of arrangement.

Second, our findings indicate that alliances have the greatest relative effect on an organization’s substantive performance, followed by interlocks, JVs, and M&As. In turn, the performance of M&As appears to be driven by their effect on an organization’s autonomy and legitimacy. Moreover, the effects of M&As are not negative, although they are also not highly positive in the long term; the statement that 60 to 80 percent of M&A deals fail is not consistent with our findings. Perhaps this is why we find that organizations that are interested in expanding their market scope perform best when making acquisitions. Furthermore, when organizations are interested in gaining more control over their business column, alliances, JVs, and M&As all improve their performance. In short, when deciding to pursue a specific type of expansion strategy, organizations must clearly examine their objective, whether it is overcoming dependencies and improving autonomy or improving performance. Based on these needs, organizations can make an informed choice, opting for one or the other arrangement and deciding which direction to pursue.

Finally, on an interpersonal level, our study of the interaction between stakeholders in six different acquisition processes indicates that it is important to ensure the alignment of the objectives of the advising parties and decision makers involved in a potential arrangement. Otherwise, advisors will aim to push decision makers into pursuing acquisitions that will not be beneficial for them. Interestingly, the macro-factors addressed in studies one, two, and three are often the factors that advisors reference in persuading decision makers to make an acquisition; for example, they might mention the firm’s risk of losing autonomy, losing part of its market share to its competition, the need to improve the firm’s bargaining position, or its underperformance. Moreover, shareholders and analysts can push decision makers into further narrowing an organization’s product line and scope. In short, our findings suggest that decision
makers are affected by several factors that lie both inside and outside their scope of influence. First, unlike the results in the existing literature (Graebner, 2009; Sharma, 1997), our findings show that the advice of bank and legal advisors is sometimes unhelpful and sometimes should even be ignored. Consequently, it is important for decision makers to ensure that their advisors’ incentives are consistent with theirs. Whereas an advisor mostly benefits from making acquisitions for as high a price as possible, decision makers are more interested in an organization’s future. Hence, being clear and relating the elements of the reward structure to one another may prevent agency conflicts.

Moreover, discussions between advisors and decision makers may improve the quality of acquisitions because of the thought that they provoke among decision makers (Mizruchi & Stearns, 2001). Accordingly, advisors can be very useful in solving problems during acquisition processes, completing work on their clients’ behalf, obtaining funding and interested investors for deals, and ensuring that the acquisition is approved by the antitrust authorities. Advisors can also provide guidance by composing integration plans, as not having such a plan is still the foremost cause of acquisition failure (Ashkenas et al., 1998). By requesting very specific plans regarding the integration of two firms, decision makers can use advisors to create more value. Furthermore, study four notes that supervisory boards and shareholders should remain vigilant when managers or CEOs appear highly interested in making acquisitions. They can do so by setting clear boundaries on investment capacity and on the risks that their managers can take. Greater focus on a CEO’s behavior is another way to prevent ‘sudden’ acquisition. Although it is sometimes beneficial to pursue interesting opportunities, it is vital that such efforts be supported by clear thought and planning. In Table 6.2 an overview of the several managerial implications is presented in relation to the level that it impacts on organization.
Table 6.2: Managerial implications

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| Autonomy versus legitimacy as drivers of expansion | • When organizations are primarily interested in improving their autonomy, they gain the most from pursuing more flexible arrangements such as alliances and JVs.  
• When improving legitimacy is the main reason for expansion, arrangements that create visible linkages are the most beneficial. |
| Performance level                                 | • Alliances have the greatest impact on an organization’s substantive performance.  
• The performance of M&As is mostly driven by an organization’s autonomy and legitimacy; however, in improving autonomy and legitimacy, M&As have positive effects in the long run.  
• When organizations are interested in expanding their market share, only horizontal M&As are useful.  
• When organizations are interested in enhancing control over their business column, all vertical expansion strategies are helpful. |
| Interpersonal level                               | • It is important that the incentives of the stakeholders involved in decision making about expansion strategies are aligned.  
• It is worthwhile to pose very specific questions to bank and legal advisors when asking for their help during an acquisition process.  
• Advisors can be very useful during acquisition processes when asked very specific task-related questions.  
• Risk of value destruction diminishes by asking advisors to concretize benefits through writing integration plans. |

6.5 Concluding Remarks

This dissertation is intended to advance our understanding of the different factors in the formation and performance of expansion strategies. By taking a polycentric approach, we extend scholarship on the formation of arrangements such as alliances, JVs, and M&As in four ways. First, on a theoretical level, we show that RDT is one of the primary theories that explains the prevalence of expansion strategies. Second, the effect of less invasive arrangements such as alliances is more positive in the short-term, whereas the effect of M&As often manifests in the long run in accounting-based returns. Third, in addition to performance, environmental, contextual, organizational, and interpersonal characteristics affect the decision to pursue a specific expansion strategy. For example, organizations have responded to antitrust legislation by forming more alliances and JVs, whereas such legislation is detrimental to the formation and performance of M&As. Finally, organizations base their decisions to form alliances or JVs or to pursue M&As based on the experience they have gained with previous similar arrangements. In summary, several macro- and micro-level factors explain the origins and performance of expansion strategies.