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## **The Value Creation of Strategic Alliances and Strategic Partnerships: A Comparative Justification through a Measurement Based on Financial Value Model. “The Empirical Case of SBF 250 Firms”**

Saci Fateh \*

*Sino-French Institute, Renmin University of China \**

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**Abstract:** Strategic alliances and strategic partnerships are theoretically now considered as real levers of value creation. This value creation takes different forms (strategic value, substantial value, institutional value and financial value). The objective of our research, after analyzing the results of empirical works focused on the acquisitions announcements impact on the stock market performance and also their actual value creation in the long-term, is to check if strategic alliances and strategic partnerships create market value and the actual value. Our final results show that in the short term the announcement of both strategic alliances and strategic partnerships have a negative impact on performance, while other hand on the long-term, there is no positive impact (neutral impact) of strategic alliances and strategic partnerships on financial performance. We explain this result by the phenomenon of "creation of compensatory value" in the context of a strategic and financial plan.

**Keywords:** *Alliances, partnerships, market value, compensatory value*

### **Introduction**

Since the 1980s, regardless of their size or their business sectors, companies grow increasingly by external growth strategies, mainly by strategic alliances and strategic partnerships (Patuel, 1990). These have multiplied to the point of looking like a fairly common form in strategic business options. This trend is explained by several reasons relating to the intentions of stakeholders concerned whether, as noted by some authors, to financial motivations of shareholders, substantial or institutional (Aliouat and Taghzouti 2009).

Today, with the new economic situation and the multiplication of financial crises, external growth strategies including strategic alliances and strategic partnerships have become two of the most appropriate ways to deal with any internal or external crisis but also to cope with intense competition, integrate a new market, reduce or minimize costs, maximize profits, a complete range, expand into new markets, acquire technology or know-how to obtain scarce resources, maintain certain resources, innovation, etc..

(Jacquot and Koehl, 1998). In short, preservation strategies, capture, creation or production of the current or new value according to (Paturel, 2011).

## Literature Review

The analysis of work on the subject of our research enabled us to notice a real dissonance between the results of previous work. Especially with those who argue for the creation of real financial value, and those who advocate for the perception of value.

The choice of this research is not a coincidence, but rather a motivation to answer questions of (Aliouat, 1996). Aliouat, after analyzing the results of empirical studies on the impact of acquisitions announcements on market value where he has seen the impact was positive, made our following question:

What is the impact of strategic alliances (AS) and strategic partnerships (SP) on the financial performance of the company?

The answer to this problem requires the response to the two following research questions:

- Does the announcement of strategic alliances and strategic partnerships have an impact on the market valuation (in the short term)?
- Does the conclusion of strategic alliances and strategic partnerships have an impact on the real financial value (in the long term)?

## Theoretical framework

To answer our two research questions we absolutely must refer to some particular theoretical current, the theory of market efficiency, the agency theory, the theory of transaction costs and the theory of resources.

We have formulated 1 hypothesis on the impact of the announcement on the stock market valuation from the theory of market efficiency (Fama, 1965) and agency theory (Jensen and Ruback effect, 1983). And for H2 to H6 assumptions based on the theory of transaction costs (Coase, 1937, Williamson, 1985) and the theory of resources (Penrose, 1959); (Wernerfelt, 1984) and (Barney, 1991).

## Research model, assumptions and definition of variables

We adopt the following model:

Financial Performance = creation of financial value = constant + variable Strategic Partnership (PS) + control variables

$$PFit = \beta_0 + \beta_1 * APSA + \beta_2 * OpPrMargin + \beta_3 * CostGS + \beta_4 * Fsales + \beta_5 * Sales + \beta_6 Fsales\_Sales + \beta_7 NPART + \beta_8 N + \beta_9 S + \varepsilon.$$

### *Assumptions or hypothesis*

H1: There is a positive relationship between the announcement effect of a SA or a SP.

H2: The increase in the margin on operating income has a positive impact on financial performance in a SA or SP

H3: The increase in turnover realized abroad has a positive impact on financial performance in a SA or a SP.

H4: The increase in annual sales (turnover) has a positive impact on financial performance in a SA or a SP.

H5: Increased variation sales abroad to total sales have a positive impact on financial performance in a SA or a SP.

H6: The increase in the number of employees has a negative impact on financial performance in a SA or a SP

*Table 1: Definition of variables*

Dependent variables	Independent variables	Control variables
<b>Short term goals</b> <b>AR:</b> abnormal return <b>CAR:</b> cumulative abnormal return <b>AAR:</b> average abnormal return (test de Student)	<b>APSA:</b> Before/After of SA <b>APMA:</b> Before/After of M&A	
<b>Long term goals</b> <b>ROA:</b> return on asset <b>ROE:</b> return on equity <b>PBR :</b> Price to book ratio	<b>APSA:</b> Before/After of SA <b>APPS:</b> Before/After of SP <b>OPPRMAR :</b> Operating Profit Margin <b>CostGS:</b> Cost Of Goods Sold <b>Fsales :</b> Foreign Sales <b>Sales</b> <b>Variation</b> Fsales/Sales <b>N :</b> Number of employees	<b>S :</b> sector of activity <b>NPART :</b> number of partners

## Methodology

In our study, we have used accounting and financial data, including Thomson One Banker, Datastream, Diane; reference documents of companies; the companies' annual reports.

We have established a sample of 75 strategic alliances and 48 strategic partnerships selected from the SBF 250 French companies and using historical market and financial data between 1997 and 2013. We made on a longitudinal period of seven (07) years, three (03) years before, the year of the strategic alliance or a strategic partnership and three (03) years after, (Cornett and Tehranian, 1992).

To answer to our problem, our choice is based on epistemological positivism based on a quantitative approach by adopting a hypothetical-deductive approach.

To analyze the data, we used the Student test for the study of events and tests on panel data estimation on STATA and RATS.

In our work, the study of the measure of value creation relates only to the extent of creating financial value. We then propose the results of the correlation study and those of the three regressions models developed for measuring the creation of real value.

In order to have a solid basis for our analysis, we referred to earlier work (Saci, 2013); (Barber and Lyon, 1997) and (Meschi and Hubler, 2000) for measuring the market value creation and work of (Saci, 2013); (Park, 2003); (Yook, 2004); (Harrison and al., 1991); (Camerlynck Ooghe and De Langhe, 2005). Triangulation of methods allows the confirmation of the empirical contribution of our research. Using the method of event study and regression method for estimating panel data, analyzing different data highlights these triangulation methods.

In this study we made the test of correlation, the study of normality and stationarity on market performance and on the real performance.

## Student tests

The possible significance of AR, AAR and ACAR according to tests performed and measured by standard tests (1%, 5% and 10%).

The objective of this test is to measure the impact of strategic alliances and effects of strategic partnerships on the market performance.

In this study, we have computed the Abnormal Return (AR), using the Market model.

*Table 2: AR, CAR, and AAR on announcement strategic alliances (SA)*

Days	AR (%)	CAR (%)	TEST T (AR)	AAR (%)	TEST T (AAR)
-6	-0,050	-0,050	-0,216	-0,050	-0,216
-5	-0,536	-0,586	<b>-1,914*</b>	<b>-0,293</b>	<b>-1,691*</b>
-4	0,365	-0,222	1,111	-0,074	-0,463
-3	0,117	-0,105	0,541	-0,026	-0,204
-2	-0,224	-0,328	-0,942	-0,066	-0,637
-1	0,249	-0,080	0,829	-0,013	-0,140
0	-0,034	-0,114	-0,110	-0,016	-0,172
1	<b>0,318</b>	0,204	1,269	0,025	0,291
2	-0,173	0,031	-0,689	0,003	0,042
3	-0,257	-0,226	-1,052	-0,023	-0,275
4	-0,309	-0,535	-1,237	-0,049	-0,654
5	<b>0,165</b>	-0,370	0,704	-0,031	-0,407
6	-0,493	-0,864	-1,323	-0,066	-0,839

*Figure 1: AAC and ACAR on announcement strategic alliances (SA)*

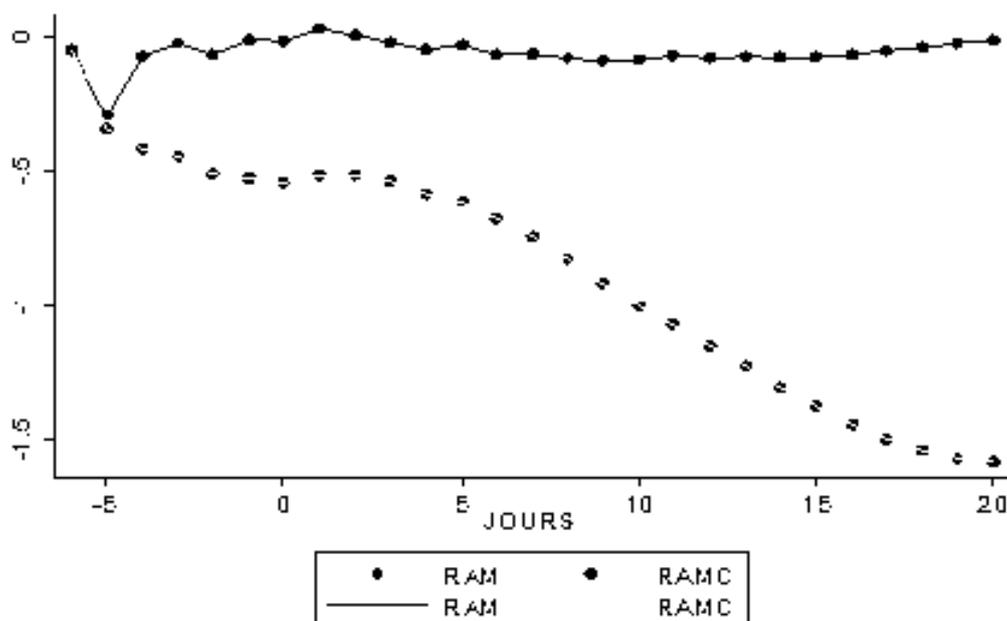
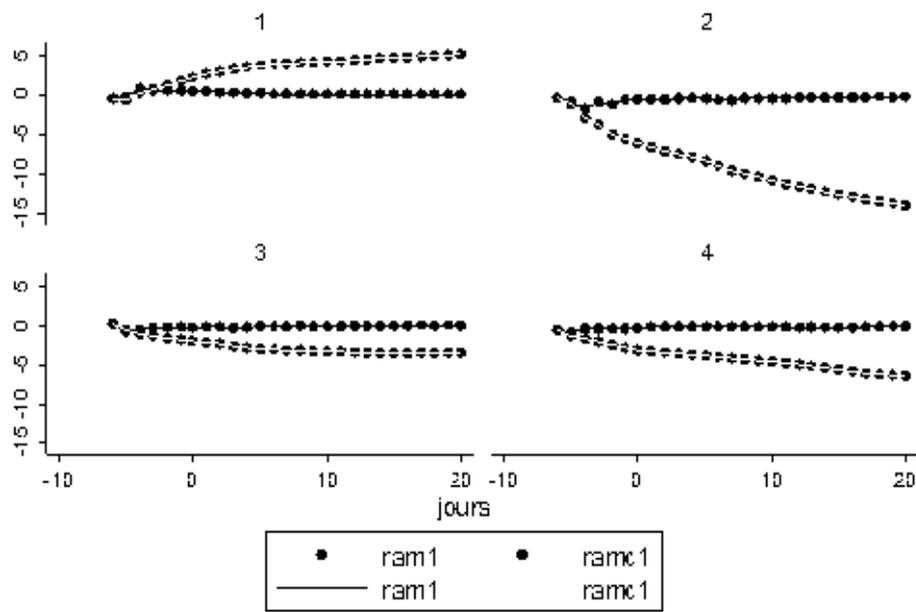
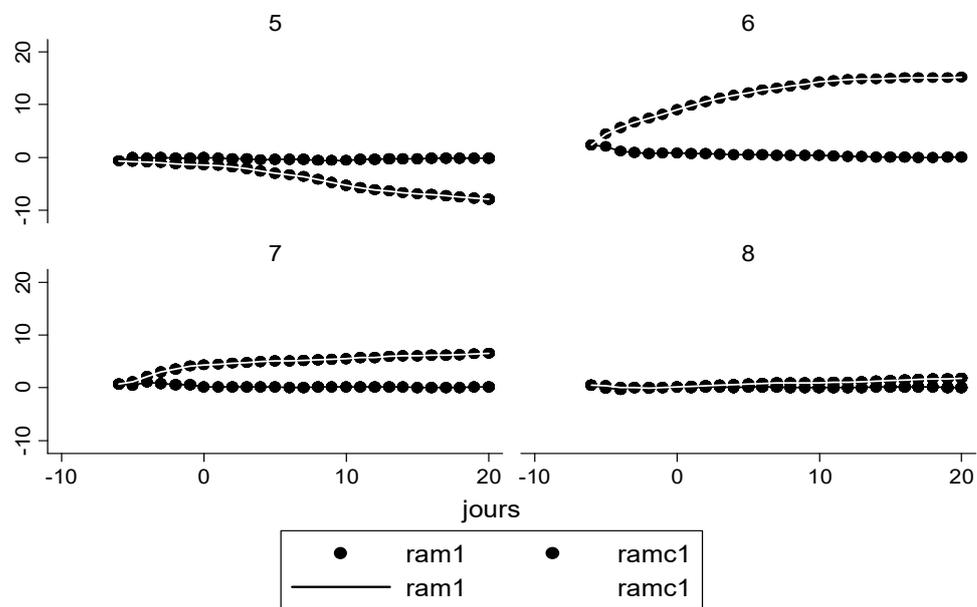


Figure 2: AAR and ACAR on announcement strategic alliances (SA) by sectors (s)



Graphs by s



Graphs by s

The analysis of the AAR shows a significant and negative impact on the fifth day after the announcement (-0.293% for AAR and -0.536% for AR) than all the AAR in the event window are negatives but not significant except for the first and the second day after the announcement we find a positive impact but not significant respectively (+0.025% et +0.003%).

*Table 3: AR, CAR, AAR, and ACAR on announcement strategic partnerships (SP)*

Days (j)	AR (%)	CAR (%)	TEST T (AR)	AAR (%)	TEST T (AAR)
-6	0,0602023	0,0594283	0,2853127	0,121342	0,1813281
-5	0,0601931	0,0582295	0,2850749	0,116459	0,1805525
-4	-0,0616915	0,0182558	0,1383906	0,0547675	-0,1630754
-3	-0,7215893	-0,1667054	-10,132249	-0,6668218	-10,796621
-2	0,0580746	-0,1217494	-10,070238	-0,6087472	0,1730509
-1	<b>-0,5786754</b>	<b>-0,1979038</b>	-10,705535	<b>-10,187423</b>	-10,496962
0	<b>0,452451</b>	<b>-0,104996</b>	-0,8965339	<b>-0,7349716</b>	10,130403
1	<b>-0,3353783</b>	<b>-0,1337938</b>	-10,228098	<b>-10,07035</b>	-10,08328
2	<b>0,3420577</b>	<b>-0,0809214</b>	-0,7899211	<b>-0,7282922</b>	0,7950878
3	<b>0,5487469</b>	<b>-0,0179545</b>	-0,1885502	<b>-0,1795453</b>	<b>10,653899*</b>
4	<b>0,0425398</b>	<b>-0,0124551</b>	-0,1410752	<b>-0,1370055</b>	0,1331324
5	-0,5374336	-0,0562033	-0,6118272	-0,6744391	-10,633564
6	0,0322036	-0,0494027	-0,5687747	-0,6422355	0,1150106

The analysis of the AAR shows a significant and negative impact on the third and seventh day after the announcement (-0.197 and -0.08. respectively), but actually the reactions are positive, since the AAR increases. Throughout the event window, we note that the average abnormal returns (AAR) down to -5  $j = j = -1$ , with  $j = .$  a positive market reaction is noted (the passage of RA -0.57 to 0.45 between  $j = -1$  and  $j = 0$ ). From  $j = 0$  to  $j = 6$ , we notice positive reactions in general. Then, we notice some positive reactions, sometimes negative.

If a negative impact on stock prices is associated with strategic partnerships, it seems that this is the form of partnership it himself that his announcement is the consequent of the market reaction.

After analyzing our results by sector of activity, we find positive reactions to Sector 1 and 7, respectively automotive and tourism sector.

### Regression tests

*Table 4: Results of regressions SA (before)*

	ROA		ROE		PBR	
	Coeff	P- value	Coeff	P- value	Coeff	P- value
OpPrMargin	.3399823	<b>0.001***</b>	.31371	<b>0.000***</b>	.1760597	<b>0.006***</b>
Fsales	-.0763402	0.718	-.0320694	0.536	-.0451567	0.793

Sales	.8807723	0.118	.0976777	0.243	-.562795	0.177
Fsales_Sales	-.0000832	0.945	.0009349	0.482	.0006953	0.492
N	-.7609001	<b>0.045**</b>	-.0590199	0.509	.0917911	0.700
Npart			-.1173997	0.224		
S			-.0294496	0.350		

Table 5: Results of regressions SA (after)

	ROA		ROE		PBR	
	Coeff	P- value	Coeff	P- value	Coeff	P- value
OpPrMargi	.4940214	<b>0.000***</b>	.3571543	<b>0.000***</b>	.1129907	<b>0.005***</b>
Fsales	-.0466426	0.774	-.0260508	0.647	-.0018756	0.984
Sales	.9481825	<b>0.022**</b>	.0677897	0.439	-.2929679	0.200
Fsales_Sale	.0018634	<b>0.099*</b>	.0026861	<b>0.034**</b>	.0004711	0.473
N	-.3938089	<b>0.067*</b>	-.0291444	0.742	-.0897972	0.395
Npart			-.0738069	0.487		
S			-.0908205	<b>0.005***</b>		

Table 6: Results of regressions SP (before)

	ROA		ROE		PBR	
	Coeff	P- value	Coeff	P- value	Coeff	P- value
OpPrMargi	.6431136	<b>0.000***</b>	2.103043	<b>0.000***</b>	.1977354	<b>0.001***</b>
CostGS	.0351271	<b>0.001***</b>	.1138987	<b>0.004***</b>	.0089347	<b>0.079*</b>
Fsales	.0028346	0.904	-.0126309	0.884	-.0049775	0.664
Sales	-.1317093	<b>0.009***</b>	-.2774761	0.130	-.0783795	<b>0.002***</b>
Fsales_Sale	.0189309	0.383	.0543708	0.495	.0061488	0.561
N	.0352519	0.245	.0395938	0.721	.0083583	0.571

Table 7: Results of regressions SP (after)

	ROA		ROE		PBR	
	Coeff	P- value	Coeff	P- value	Coeff	P- value
OpPrMargin	.7976695	<b>0.000***</b>	2.350536	<b>0.001***</b>	.0178243	0.202
CostGS	.0890309	<b>0.041 **</b>	.5488935	0.172	-.0064289	0.406
Fsales	-.0216294	0.152	-.148948	0.286	.0034776	0.198
Sales	-.0804934	<b>0.105*</b>	-.3245798	0.479	.0005398	0.951
Fsales_Sales	-.0047397	0.451	-.0095313	0.870	.000214	0.849
N	-.0204002	0.142	-.0681197	0.595	.0008943	0.718

## Results

The announcement of strategic alliances and strategic partnerships has a negative impact on performance. We note that our results on the market performance are consistent with those of (Hubled and Meschi, 2000) on the stock market performance of strategic alliances.

In the long term there is no positive impact (neutral impact) on financial performance whether be it the strategic alliance or strategic partnership.

Compared to our assumptions, we reject the hypothesis suggesting the existence of a positive relationship between the establishment of the strategic alliance or the strategic partnership and the creation of financial value, because we have only H2 is validated.

Strategic alliances (AS) and strategic partnerships (SP) have no impacts on the financial performance of the company: first, our results contradict the theoretical assumptions and the results of some empirical work on strategic alliances: Combs and Ketchen (1999), on mergers acquisitions: Harrison, Hitt, Hoskisson and Ireland (1991), and on the other hand, our results are consistent with other empirical research results: in the case of strategic alliances: Park and Dong-Sung (1997).

Compared to our assumptions, we reject the hypothesis suggesting the existence of a positive relationship between strategic alliances, strategic partnerships and financial performance: H3, H4 and H6

We accept hypothesis H2, however H5 is accepted for the case of strategic alliances and rejected the case of strategic partnerships.

## Discussion

Our results, in which stock prices are used to measure short-term performance, suggest throughout that the financial markets seem to be indifferent to announcements of strategic alliances. However, in large part, mergers and acquisitions are seen as good news by the financial actors (Saci, 2013) and (Hubler & Meschi, 2000). Strategic Alliances and Strategic Partnerships are not seen as good news in general if we refer to the logic of (Hubler and Meschi, 2000).

When we analyzed our results by sector, we found in general the same results. This is difficult to explain without further details.

In the long term, the comparative reading of the theoretical literature and the empirical one shows that strategic alliances and strategic partnerships are practices that can generate both positive and negative effects. This observation led us to assume that the combined effect of the alignment of interests and inefficiencies own strategic partnerships is likely to create a net neutral effect on creating financial value of the company.

Through empirical studies cited below concerning external growth strategies, including strategic alliances and strategic partnerships, we find notice that the impact of strategic alliances and strategic partnerships on creating financial value is neutral.

We find that many studies are contradictory on the performance of strategic alliances and strategic partnerships, including the measurement of performance in relation to the company size.

## Conclusion

We stipulate that strategic alliances and strategic partnerships create financial value, but it is destroyed in part by the costs incurred by them as well as other negative effects (Yook, 2004).

In conclusion, the absence of the impact of the strategic alliances (SA) and strategic partnerships (SP) on financial performance can be explained either by the impact of strategic alliances (SA) and strategic partnerships (SP) may be combined to give a total net neutral effect on performance or the negative effects absorb the potential gains from strategic alliances (SA) and strategic partnerships (SP) (creating compensatory value).

The analysis of the problem of measuring the financial value creation through strategic alliances (SA) and strategic partnerships (SP) remains a field of study rarely treated in a French context, including the extent of creating long-term value. This finding is one of the main interests that motivated this research whose objective was to contribute to a better understanding of the financial value creation of strategic alliances (SA) and strategic partnerships (SP) of French listed companies.

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