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| --- |
| *Burger Behemoth (BB) Public Limited is a very successful chain of fast-food restaurants*—*with a large network of restaurants around the country, some of which are franchised and others are fully owned. Its brand has come to stand for standard, tasty, convenient and quick meals* —*and it has enormous customer loyalty among families with young children below 12, and also among busy executives on the road. However, growth is slowing, and greater health awareness among consumers has led to a general disenchantment with fast food. The CEO of BB is contemplating some new businesses that BB might enter. A candidate has emerged from internal discussion: the children’s theme park business.*  *During the same discussion it was suggested that Mighty Monkey Inc.—an experienced player in the theme park business—might be a good partner to collaborate with. If BB were to decide to enter the theme park business through a collaboration with Mighty Monkey, which mode should they choose: non-equity alliance, equity alliance, acquisition?* |

**Inorganic growth: The costs and benefits of equity ownership in strategic partnerships**

Broadly speaking there are three modes of inorganic growth: non-equity alliances, equity alliances and outright acquisition. Note that these forms of strategic relationship may also occur for reasons other than entering a new business, for instance growth within a business or to help exit a business through outsourcing. However, most of what we know about choosing between these modes of growth will still apply.

It is useful to think about all strategic relationships as ***relationships between firms that cannot be managed by the contract alone***. Non-equity alliances typically rely on contracts. However, they constitute alliances (rather than, say simple procurement agreements) if the contract alone is insufficient, and a close working relationship is also needed between partners to adapt to changing circumstances and issues not specified in the contract.

Equity ownership can serve as an important supplement to contracts in alliances. Equity alliances involve one party taking an equity ownership stake in the other, and this could be reciprocal. When the equity stake of one party exceeds a threshold of around 25% (this level varies across countries), then a right to veto is created. If a party’s stake exceeds 50% in the other, then in effect it has gained control over the other. An acquisition has taken place, and a contract may no longer be necessary (except the employment contracts that bind the employees of the acquired company to the acquiring company). We can therefore view non-equity and equity alliances and acquisitions as different points on a line of increasing equity ownership-ranging from “Ally” (on the left) to “Acquire” (on the right), see Figure 5.1.



*Figure 5.1 A continuum of governance structures*

The choice of mode for inorganic growth is therefore a choice about where to locate the structure of the relationship on this line. This is determined by the costs and benefits of increasing equity ownership. In other words, **choosing the optimal governance structure is equivalent to picking the right level of equity**. Our focus is on strategic considerations for selecting the right level of equity. There are also relevant accounting considerations (such as whether one can or must consolidate the accounts of entities in which a parent has an equity stake. This varies significantly across countries).

Recall that the diversification test we discussed in Section 4 required that V*m*(*AB*) – C*m*(*B*) > V(*A*), where V(*A*) is the standalone (net present) value of business *A*, V*m*(*AB*) is the value of jointly operating both business *A* and *B*, under diversification mode *m* and Cm(*B*) is the cost of entering business *B* through mode *m*. In this section we describe a framework that is useful to assess in a qualitative sense, how V*m*(*AB*) and Cm(*B*) vary for the different governance structures used for inorganic growth.

**The Benefits of increasing equity ownership in strategic relationships[[1]](#footnote-1)**

1. Exclusivity

Even at low levels of equity ownership, rivals are unlikely to consider creating relationships with the focal firm’s partner. To take a hypothetical example, if company A were to take a 15% equity stake in company B, rivals of company A would be discouraged from forming a partnership with B because of the role that A may play through its equity ownership (and possibly concomitant board membership) to further its own interests at their expense. Full exclusivity can be achieved through complete ownership so that A can exclude potential rivals. This factor is important for all the four basic synergy operators – Consolidation, Combination, Customization and Connection. It highlights an increasing benefit from joint operation V*m*(*AB*) that is enabled by increasing levels of equity.

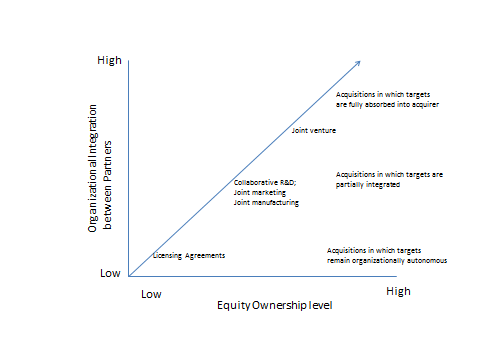
2. Cooperation

Equity ownership aligns the incentives and interests of the two partners. If Firm A has an ownership stake in Firm B, how well Firm A does depends to some degree on how well Firm B does. Thus, Firm A would be less inclined to harm Firm B’s interests, or shirk from doing things that benefit B. While minority equity ownership is a partial step toward the alignment of interests, complete ownership through acquisition provides the greatest level of interest alignment and ability to monitor and control behaviour. This factor is most important when the synergies require significant modification of underlying resources, i.e. in Consolidation and Customization (see Section 3). This highlights an increasing benefit from joint operation V*m*(*AB*) that is enabled by increasing levels of equity.

3. Coordination

In order to meet the objectives of a strategic partnership, knowledge flows and coordination between the partnering firms may be critical. Hence, managers in these firms may need to create inter-organizational linkages to enhance inter-partner coordination, and knowledge flows. Greater equity ownership gives a firm the authority to implement more elaborate coordination mechanisms and stronger organizational linkages.[[2]](#footnote-2) For instance, a minority equity position, under some legal regimes, suffices to provide a board seat that acts as a limited coordination mechanism between the partner firms. Ownership of a significant equity stake, on the other hand, may be necessary for undertaking deeper organizational integration between partners by creating dedicated integration managers or permanent liaison committees. An acquisition through complete ownership further extends the ability to create organizational linkages, as full ownership makes it possible (though not necessary) to reconfigure organizational boundaries and units across partners if necessary. This factor is also most important when the synergies require significant modification of underlying resources, i.e. in Consolidation and Customization. This highlights another increasing benefit from joint operation V*m*(*AB*) that is enabled by increasing levels of equity.

In sum, increasing levels of equity ownership generate greater benefits from the control of governance costs arising from conflicting incentives and difficulties of coordination (see Section 3). Both the level of synergies that can be exploited as well as the portion that one gains of these synergies therefore increase in the level of equity; in the language of the diversification test, V*m*(*AB*) increases more rapidly with the level of equity when the three factors highlighted above are relevant. Note that larger equity stakes increase the possibility, but not the necessity, for using more complex and elaborate integration mechanisms (see Figure 4.2).



*Figure 4.2: Possible organizational integration across governance structures*

Note that we implicitly presume no prior relationship or trust between the potential partners. Trust refers to a willingness to be vulnerable in a relationship based on expectations of what the partner will do. If trust exists, then the benefits of equity may be muted; either no equity or lesser equity may suffice under certain conditions, as trust is an alternative to equity to manage transaction concerns. Trust implies confidence in the motives and competence of the partner; low confidence in these factors is a source of transaction costs. Therefore either trust or equity ownership can serve to manage these transaction costs.

**The Costs of increasing Equity Ownership in strategic relationships**

1. Lowered motivation

When company A takes an equity stake in company B, two mechanisms weaken motivation for individuals in B. First, the owners and stock-owning employees of B give up a certain portion of their rights to future gains. Consequently, they are less motivated to put in the desired level or quality of effort since they stand to get a smaller proportion of any gains that might be derived from it. Full acquisition can exacerbate the problem. Second, a company gets the right to direct the actions of its partner’s employees when it takes high levels of equity in the partner. Roughly speaking, the greater the equity ownership, the stronger is the right to direct the partner.

For instance, a minority equity position allows for board representation, which is a weak form of control over the strategic direction of the partner firm. Full ownership, on the other hand, allows for much greater control and consequently the ability to implement even a major strategic redirection. An increase in control for the partner taking the equity ownership position, however, corresponds to a proportionate decrease in control for the other partner. As a result, both owners and employees of the latter partner have less autonomy to guide the future course of their actions and to decide how and where to put their effort. This loss of autonomy in terms of where to allocate their effort may result in lower motivation and reduced effort, besides possibly missing out on their valuable insights.[[3]](#footnote-3) These are instances of the negative synergies from organizational complexity we discussed in Section 2, and referred to as “Dilbert” costs. They will likely be larger when there are significant changes to the working conditions of individuals in the organizations. This highlights a decrease in the benefit from joint operation V*m*(*AB*) that is created by increasing levels of equity.

2. Uncertainty and commitment

Viewing equity stakes as “real options” provides some very valuable qualitative insights into determining the desirable level of equity ownership in strategic relationships. A real (call) option, in simple terms, provides a company the future right (but not the obligation) to increase its level of equity ownership in its partners. By taking a minority equity position in the partner, a company creates the option to acquire it later. More importantly, this option becomes more valuable as uncertainty about the value of the partner increases, because uncertainty means both the upside and downside increase. However the option but not the obligation implies that one only need acquire if the upside materializes. The lesser the equity one has to take up front in order to gain this option to acquire later, the better. Stated differently, the more the equity ownership at a given point in time, the greater the opportunity cost in terms of foregone option value. This factor is likely to be most important when the uncertainty in synergy value is relatively high (i.e., in Connection and Customization synergies). This highlights a source of increase in the cost of entry Cm(*B*) with increasing levels of equity.

3. Cost of control

What kind of premium over current valuation will we have to pay in order to induce the partner to cede (even partial control)? In the case of acquisition, this would correspond to the acquisition premium. But even in a minority equity investment, a control premium is implicit in the valuation of the stake. In a non-equity contract, one may still have to pay licensing or franchising fees. This cost of gaining control depends on the alternatives available to the potential collaborators, and not directly on the type of synergy involved. It is thus relevant for all four synergies: Consolidation, Combination, Connection and Customization. This factor highlights an increase in the cost of entry Cm(*B*) that increases with levels of equity.

4. Synergy independent cost of integration

At high levels of equity, control over the entire set of assets of one partner passes into the hands of the other. Yet not all of these assets may be of value to the new owner. The costs of disentangling the wanted from the unwanted assets, and disposing off the latter are the costs of restructuring. These are larger when it is difficult to separate the wanted from the unwanted assets of the partner, and when it is difficult to find purchasers for the latter in the divestiture market. Further, all else being equal, larger and older organizations, regardless of the nature of the synergies involved in the deal, will require greater integration efforts to convert their systems and processes to be compatible with the acquirer. These are synergy independent costs of integration, that indicate an increase in the cost of entry Cm(*B*) that is increasing with levels of equity.

In sum, increasing levels of equity increase both the synergy independent cost of entry (e.g. cost of control, loss of flexibility, integration costs) but also indirectly suppress the value from joint operations through suppressing motivation.

The checklist in Table 4.1 helps to see when the benefits and costs of equity stakes are likely to be higher or lower. The questions about the benefits of ownership are meant to highlight when managing by a contract may be particularly difficult because of transaction costs, making equity ownership more useful in such circumstances. Similarly, some questions focus on the conditions that make equity ownership more costly. These can be seen as parameters that influence the benefits and costs of any given level of equity ownership, and therefore the optimal equity ownership levels.

Table 4.1 Preferred equity level

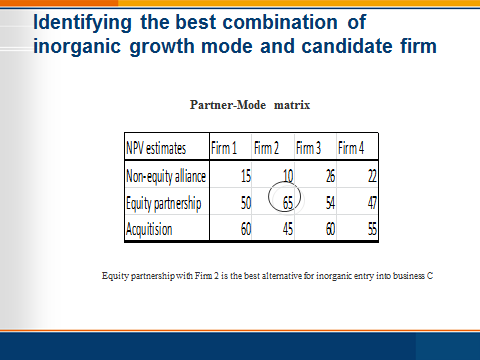
|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Benefits of equity ownership** | Key Questions | If the answer is “Yes”, then level of equity should be | Relevant for Synergy type | Effect |
| Exclusivity | Is there a benefit from excluding rivals from access to the resources of this partner? | High | Consolidation  Combination  Customization  Connection | Increases value from joint operation |
| Cooperation | Is there a need for relationship-specific investments by one or both partners that may potentially create a hold-up situation?  Are the gains from synergy one sided between partners?  Is the prospect of future business an insufficient motivator for cooperation? | High | Consolidation  Customization | Increases value from joint operation |
| Coordination | Is there a need for extensive knowledge sharing and coordination between partner firms? | High | Consolidation  Customization | Increases value from joint operation |
| **Costs of equity ownership** |  |  |  |  |
| Motivation | Is employee motivation in the partner firm likely to drop as a consequence of changed work conditions (e.g., incentives, nature of work) after implementing the partnership? | Low | Consolidation  Customization | Decreases value from joint operation |
| Uncertainty and commitment | Is there significant uncertainty regarding the quality/value of the assets being accessed from the partner? | Low | Combination  Connection | Increases cost of entry |
| Control premium | Will it be expensive to induce partner to give up control? | Low | Consolidation  Combination  Customization  Connection | Increases cost of entry |
| Cost of synergy independent integration | Will it be expensive to separate out and dispose of unwanted assets in the partner? | Low | Consolidation  Combination  Customization  Connection | Increases cost of entry |

Which benefits are most important in a given situation, and how should you weigh the relative benefits and costs? To address this issue, we recommend that you first consider the extent of equity suggested by each of the three benefit criteria independently (exclusivity, alignment of incentives, and the need for organizational linkages), and then pick the level of equity suggested by the ***most important*** of the three criteria. Thus, if the gains from aligning interests and the need for achieving coordination both seem moderate but the exclusivity criterion is the most important then choose full ownership. This approach clarifies and emphasizes what the primary motivation for taking the equity stake is. This is very important in managing the partnership as well as in evaluating its success. Similarly, managers should consider the equity levels suggested by the cost criteria (motivation and uncertainty), and pick the level of equity indicated by the most important criterion. For instance, if motivation problems appear to be relatively unimportant, but uncertainty about the value of the partner is significant, then managers should choose low levels of ownership.

When the benefit and cost criteria lead to similar conclusions, there is little difficulty in choosing the level of equity. More complicated situations arise, however, when the benefit and cost criteria point to different levels of equity. A solution might involve taking a level of equity between the levels suggested by the benefit and cost criteria.

To obtain a quantitative estimate for the value of the best inorganic growth mode, one could use a Net Present Value estimation with synergies between the existing and new businesses, which accounts for the estimated cash flows based on the level of ownership, cost of entry, and discount rate relevant to that mode (See Appendix to Section 2 for a discussion of how to value synergies). If there is more than one possible firm that is a candidate for an alliance or an acquisition, the results of this analysis can be expressed as a matrix of modes and candidates and firms (see Table 4.2 below).

*Table 4.2 Identifying the best combination of inorganic growth mode and candidate firm*



It may be intuitive to estimate the numbers in the matrix above for acquisitions; compare the value of synergies to the control premium to be paid. But how about the case of an equity- partnership? The approach is similar, where we compare the portion of the synergies our equity stake or strategic partnership allows us to capture, and the premium over valuation of the portion of the equity purchased.

**Note however, that the synergies we would obtain with a 25% equity stake are not necessarily 25% of what we would obtain with 100% ownership - because of the governance costs (in this case, transaction costs) we have discussed in Section 3 as well in this section.** Indeed, as we have noted, the benefit of increasing ownership stakes is precisely to control these transaction hazards. To make this concrete, imagine that the realizable synergies with Firm 2 are valued at 65, and that the control premium needed to acquire is 20, leaving an NPV of 45 for the acquisition. If we instead considered a strategic alliance with a 20% equity stake, the value of the realized synergies is not necessarily 20% of 65=13; it may be much lower because of the tax that transaction costs impose, which cannot be controlled in a strategic alliance to the same degree as to which they could be controlled in a full acquisition. On the other hand it may even be higher if the costs of motivation and flexibility loss are high under an acquisition. In the case of a non-equity contractual agreement, the ability to control transaction hazards as well as the costs of lowered motivation and loss of flexibility are lower; but the cost of setting up such relationships is also much lower, and may involve things like the fee of the contract, licensing fees etc.

The partner-mode matrix thus involves a fair burden of computation, but the qualitative guidelines in Table 4.1 should help to guide the analysis and act as a sanity check.

**The case of vertical integration**

A particular instance of the choice between ally and acquire arises in buyer-supplier relationships, and is referred to as the “vertical integration” decision. The choice is between defining a contractual agreement with a supplier for an input, vs. acquiring the supplier in order to gain full control over the supplier. This is typically because of synergies from Customization between the buyer and supplier- the supplier or buyer have to customize their own resources to benefit the most from the efforts of the other. For instance, the supplier may have to re-tool their manufacturing line, or the buyer may have to re-design their product to use the supplier’s outputs. Customization synergies require significant modification and can be one-sided, leading to an increased need for alignment of interests and coordination between partners. The factors identified in Table 1 are all relevant in this choice, which can be treated as any other form of the ally vs. acquire choice. One could also conduct vertical integration by setting up an internal supplier through organic growth. The factors relating to the choice between inorganic and organic growth are covered in the next section.

**Application: Burger Behemoth**

*Suppose you are the CEO of Burger Behemoth, whose diversification problem was described in the vignette at the beginning of this section. If you were to work with Mighty Monkey to enter the theme park business, how would you conduct your analysis for the optimal governance mode?*

**Step I: The synergy test**

Whatever the mode of diversification, synergies with existing business are necessary, unless one can be assured of bargains. The first step therefore is to understand whether the existing Fast Food restaurant business could generate any synergies with Theme Parks conditional on being in the business (i.e. ignore for now the process of entering these businesses). The following thought expriment may help: Suppose you were to acquire a stand-alone, well performing publicly listed company in the Theme Parks business today (e.g., Mighty Monkey), how would you justify paying a premium above its market cap (assuming integration costs were zero)? If you can think of synergies that would justify paying a premium in this case, then in principle you have passed the synergy test with these bsuinesses.

To make sure that you are considering all the possible ways in which synergies might exist between the businesses, you may find it useful to use the 4C’s approach outlines in Section 2. Recall from Section 2 that operational synergies come in four types: Consolidiation, Combination, Customization, and Connection. Further, these operational synergies derive from the value chain (and its underlying resources). So you could begin by constructing a generic value chain for the children’s theme park business or a specific one (if you have a candidate firm in mind, e.g. Mighty Monkey). Consult industry experts to make sure you are not missing anything. Also consider carefully the possibility of dis-synergies (e.g. the possibility of losing business in concessions operated by BB within other theme park chains).

In this instance, it is likely that you may see some Connection synergies (e.g. applying the BB brand and related customer knowledge, which we are told has a strong appeal among families with young children) and possibly some Customization synergies (e.g. expertise in real estate sourcing, which is at the heart of a franchising business like BB’s).

Let’s assume the theme park business passes the synergy test.

**Step II. Identify the resource and capability gaps in the value chains of the target businesses**

Using the value chain for the children’s theme park business, identify which of your existing resources and capabilities in the fast food restaurant has excess capacity (or is of an intangible nature with low costs of re-use) which can be repurposed to this industry. Whatever is left represents the gaps in the value chains you will need to fill – through inorganic or organic growth.

In the case of Theme Parks, assuming that BB uses its brand to target families with young kids, the gaps in resources and capabilities may include physical infrastructure, content generation (to keep coming up with new rides) and service delivery (the training of staff, the management of crowds and rides).

**Step III: Selecting inorganic growth modes**

For Theme Parks, you will have to generate a set of possible candidate firms that have the necessary capabilities you identified in the gap analysis in step II. You can get your investment bankers to help you screen for target firms, much as they would do for an acquisition, based on the criteria you identified (e.g. an ailing theme park chain). For each candidate firm, the question you have to ask is about the optimal level of equity ownership in this firm that would get you the most value from entry for each mode of entry m, (Vm(AB)-Cm(B)). Start with a non-equity alliance as a base case, and see if you can do significantly better with higher levels of equity.

Let’s assume that the qualitative analysis based on the checklist in Table 4.1 suggests that in the case of Theme Parks, value is maximized through a non-equity revenue sharing strategic alliance, in which BB co-brands and co-promotes with a theme park company, and helps in their expansion plans by lending them its real estate selection capabilities. You should consider at least two candidates, so that you have a back-up alternative and a reservation price for your negotiations with the first alternative.

From this analysis we would conclude that **if we enter Theme Parks with an external partner it would be through a non-equity alliance.** In the next section we compare this alternative to organic growth.

<APPLICATION ENDS>

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| **Basic facts about the choice between alliance and acquisition**   * There are well documented instances of all four operational synergy operators (Consolidation, Combination, Connection, Customization) in alliances as well as acquisitions. In principle, these are alternate governance structures that enable pursuit of the same objective. * Managers may recognize that alliances and acquisitions are different governance modes for achieving the same basic objective, and yet they systematically fail to consider the alternative when actually engaging in an alliance or an acquisition.[[4]](#footnote-4) * Meta-analyses show that as expected transaction costs increase, relationships between firms are more likely to contain hierarchical elements (including greater levels of equity stakes). As technological uncertainty increases, the likelihood of equity ownership declines.[[5]](#footnote-5) * Experimental studies of managerial choice of governance structures confirm that managers do indeed prefer higher levels of equity when either the value of partner’s resources or the expected transaction costs in the relationship increase; however their choices are more sensitive to the former than the latter.[[6]](#footnote-6) |

|  |
| --- |
| **Common mistakes to avoid**  ***Underestimating control difficulties in alliances***: Strategic alliances are temporary organizations between peers; consequently the interests of partners cannot be assumed to be aligned. While alliances are easier to set up and exit than acquisitions, this also means that they may be harder to manage on an ongoing basis, because no partner has absolute authority over the other, but must instead engage in a series of negotiations. For the same reasons, differences in culture may matter more in alliances than in acquisitions as impediments to synergy realization.  ***Underestimating integration costs in M&A:*** The costs of integration in an acquisition are both synergy dependent and synergy independent. Even if no synergies are being actively pursued (because the target was a bargain), it is still true that there will be costs of restructuring, standardization and alignment of systems. Note these costs are distinct from governance costs- the reduction in value from joint operation that can occur with increasing equity levels (such as the effect on lowered motivation).  ***Becoming fixated on a single alternative:*** As the growth tree makes clear, the choice of mode of growth is a hierarchical and iterative process. One must consider all branches of the tree as well as multiple partners. Beginning with “Let’s see if should acquire company X” is dangerous as it can blind us to the alternatives that may be superior both as modes and partners. Relatedly, it is useful to have a second best alternative always in mind when one approaches another firm either as an alliance partner or a potential target in an acquisition, so that a clear walk-away price can be established. Finally, the practice of separating the teams that focus on M&A and alliances is a dangerous one because it gives rise precisely to this kind of fixation on particular alternatives rather than a consideration of the entire growth tree. |

**Frequently asked questions**

1. *Why don’t we consider direct cost of purchase? Aren’t acquisitions more costly because they always involve larger sums of money than alliances?*

Yes, acquisitions involve larger sums than alliances. However, what’s relevant for acquisitions is only the premium you pay on top of the standalone value. If you pay simply the standalone value, the NPV is zero because what you pay is equal to the cash flows that you get back. Similarly the benefit of the acquisition is really in the synergy value (above the standalone value). Table 4.1 may thus be seen as comparing how these synergy benefits and costs of control change at different levels of equity ownership. Relatedly, the total costs of integration in an acquisition will be typically higher than for an alliance. However, in a comparison of these modes, it is the synergy independent costs of integration that matter (e.g. of restructuring and alignment of systems). The costs of integration that are a fraction of the synergies only increase with the degree of integration; an acquirer can choose the level of integration (see Figure 4.2) and therefore a sensible acquirer would only incur higher levels of these costs if the gains from synergies offset them sufficiently. Hence they drop out of consideration in the choice between alliance and acquisition.

1. *Bank Two, a French commercial bank, wants to expand rapidly into an Asian country. Internal analysis suggests that building its own branch network will take too long, and Bank Two has identified a potential acquisition target which has a sizeable branch network. Which of the following factors would make it less important for Bank Two to find significant synergies with this potential target and why?*
2. *Bank Two is a privately held company*
3. *There are unlikely to be any potential acquirers for the target company*

If Bank Two is a privately held company, acquiring a target with few synergies will be less of a problem compared to the problems it would have with its shareholders (and stock price) if it was publicly traded - however, an acquisition with fewer synergies creates less value, thus the effect of an acquisition with low synergies will affect the bottom line of a privately held or publicly traded company in the same way. The fact that there are no other potential acquirers might indicate that Bank Two values the target’s assets higher than other firms, and this is a first indicator that there are indeed synergies (we assume no private information). Further, if there are few other bidders, then the premium need not be too high, in which case the magnitude of synergies can be lower.

1. *I identified a partner that I want to work with and I need to decide whether to ally or acquire. Even though the partner is in the same business I’m active in, can I still use the inorganic branches of the growth tree?*

Yes. Even though you have the necessary resource and capabilities, the trade-offs you face in deciding between Ally or Acquire are the same. You can use the same set of questions from Table 4.1.

1. *Is it always better to acquire when expanding abroad?*

No. It is true a full acquisition can give you more control, but the synergy independent costs of integration, costs of uncertainty, as a well as lowered motivation because of cultural differences can be significant. Indeed regulation around limits to foreign direct investment may make acquisitions impossible, and you may have to expand in partnership with a local player.

**Academic background**

For more on trade-offs between governance modes, see:

Geyskens, I., Steenkamp, J. B. E. M., & Kumar, N. (2006). Make, buy, or ally: A transaction cost theory meta-analysis. *Academy of Management Journal, 49*(3), 519-543.

Kale, P., & Puranam, P. (2004). Choosing equity stakes in technology sourcing relationships: An integrative framework. *California Management Review, 46*(3), 77-99.

Puranam, P., & Kale, P. (2013). The design of equity ownership structure in interfirm relationships: Do managers choose according to theory? *Journal of Organization Design, 2*(2), 15-30.

For more on trust and a pre-existing relationship on the choice between alliance and acquisition

Gulati, R., & Nickerson, J. A. (2008). Interorganizational trust, governance choice, and exchange performance. *Organization Science, 19*(5), 688-708.

Puranam, P., & Vanneste, B. S. (2009). Trust and Governance: Untangling a tangled web. *Academy of Management Review, 34*(1), 11-31.

Vanneste, B. S., Puranam, P., & Kretschmer, T. (2014). Trust over time in exchange relationships: Meta-analysis and theory. *Strategic Management Journal, 35*(12), 1891-1902.

1. Prashant, K., & Phanish, P. (2004). Choosing equity stakes in technology-sourcing relationships: An integrative framework. *California Management Review, 46*(3), 77-99. [↑](#footnote-ref-1)
2. Gulati, R., & Singh, H. (1998). The architecture of cooperation: Managing coordination costs and appropriation concerns in strategic alliances. *Administrative Science Quarterly, 43*(4), 781-814. [↑](#footnote-ref-2)
3. Hackman, J. R., & Oldham, G. R. (1975). Development of the job diagnostic survey. *Journal of Applied Psychology, 60*(2), 159-170. [↑](#footnote-ref-3)
4. Dyer, J. H., Kale, P., & Singh, H. (2004). When to ally & when to acquire. *Harvard Business Review, 82*(7-8), 108-115. [↑](#footnote-ref-4)
5. Geyskens, I., Steenkamp, J. B. E. M., & Kumar, N. (2006). Make, buy, or ally: A transaction cost theory meta-analysis. *Academy of Management Journal, 49*(3), 519-543. [↑](#footnote-ref-5)
6. Puranam, P., & Kale, P. Forthcoming. The design of equity ownership structure in interfirm relationships: Do managers choose according to theory? *Journal of Organization Design, 2*(2), 15-30. [↑](#footnote-ref-6)