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Learning 'from' vs. learning 'about' partners in pre-acquisition strategic alliances: The role of familiarity

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ABSTRACT

The relationship between pre-acquisition alliances and post-acquisition performance has been widely recognized, but there are differing explanations from existing theoretical perspectives. On the one hand, organizational learning emphasizes that prior strategic alliances allow the acquiring firm to *learn from* the target company, gaining new technological knowledge and skills. On the other hand, relational learning focuses on the acquiring firm's understanding of the target firm's working methods, culture, leadership styles, and overall organizational dynamics, i.e., *learning about* the target, facilitating the formation of psychological contracts and mutual understanding. To reconcile these perspectives, we explore the moderating role of familiarity. While recognizing the importance of acquiring new knowledge and skills in all alliances, we argue that building trust and understanding with the target firm is especially important in pre-acquisition alliances. As a result, post-acquisition performance will be largely influenced by the acquiring firm's familiarity with the partner's context, thereby enhancing the conditions for learning about the partner. We hypothesize that cultural and market familiarity positively moderate the relationship from pre-acquisition alliances and post-acquisition performance. Using data from SDC Platinum, EIKON, and ORBIS, covering 712 majority or full acquisitions, we find strong support for our hypotheses. Specifically, pre-acquisition alliances are most effective in domestic and industrially related acquisitions. Additionally, the benefit of previous strategic alliances diminishes as cultural distance increases. These findings hold up under various matching techniques and have substantial implications for both scholars and practitioners.

1. Introduction

Although the popularity of mergers and acquisitions (M&As) continues to grow among academics and practitioners, their success rate remains dismal (King et al., 2004; Tuch and O'Sullivan, 2007). Despite the vast amount of research that has been undertaken to investigate the critical success factors associated with the pre- and post-acquisition processes (e.g., Gomes et al., 2013), very little attention has been devoted to understanding the effect of strategic alliances as an important pre-acquisition success factor. Our paper addresses this issue.

It has recently been argued that one way to surpass established boundaries is by bridging the M&A literature with that of the

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strategic alliance (Gomes et al., 2021). Strategic alliances and M&As are both important strategic methods of development but are typically treated as separate bodies of knowledge (Yang et al., 2010). However, a small yet growing research stream has begun to investigate the impact of a previous strategic alliance with the acquired firm on post-acquisition performance. Evidence emerging from a few studies suggests a positive relationship between a previous alliance with the target and post-acquisition performance (see Meschi et al., 2018 for a review).

The performance-enhancing effect of a previous alliance with the target was first identified by Porrini (2004). Several more recent studies have continued to expand on this seminal paper and have further enriched our understanding of the impact of a previous alliance with an acquisition target. For instance, Al-Laham et al. (2010) focused on the relationship between a prior R&D partnership and post-innovation outcomes, finding a positive effect on the post-acquisition patent rate. McCarthy and Aalbers (2022) demonstrated that a previous alliance with an acquisition target positively impacts inventive quantity and exploitative tendencies. Meschi et al. (2018) emphasized the importance of the duration of the pre-acquisition alliance. Lastly, Zaheer et al.'s (2010) study sheds light on important contextual specificities, such as international acquisitions and type of alliances.

This emerging research stream predominantly adopts organizational learning as its primary theoretical underpinning.[1] The central argument put forth in these studies is that an alliance fosters organizational learning through the exchange of technological knowledge (Inkpen, 1998) and skills (Tsang, 1999) between partners even before the acquisition takes place. By assimilating the information and resources, companies cultivate partner-specific absorptive capacity (Meschi et al., 2018), and develop new capabilities and knowledge (Anand and Khanna, 2000; Kale and Singh, 2009). Furthermore, the spillover and integration of knowledge among partners (Sousa et al., 2021) contribute to an enhanced collaboration process, facilitating the attainment of synergies and the subsequent acquisition integration process.

The studies mentioned above have greatly contributed to validating the positive relationship between pre-acquisition alliances and post-acquisition performance. However, it is widely acknowledged that a thorough understanding of the context is essential for analyzing inter- and intra-organizational exchange-based transactions, agreements, and commitments (Conway, 1996). Despite the extensive exploration of target evaluation in the literature (Cuypers et al., 2017; Gomes et al., 2020), notably through formal due diligence processes (Angwin, 2001), no prior study has endeavored to examine the effect of contextual factors such as cultural and industry-level familiarity on the relationship between pre-acquisition alliances and post-acquisition performance. This study aims to shed light into this overlooked area.

Drawing upon the psychological contract theory, we contend that a pre-acquisition alliance with a partner from a familiar context promotes the development of informal psychological contracts, which enhance the ability to learn not only *from* a partner as the literature indicates, but especially *about* the partner, before a formal pre-acquisition process is initiated. Psychological contracts refer to individual beliefs concerning obligations (Rousseau, 1990) that go beyond the written contract and are rooted in social cognition and social exchange motives (Thomas et al., 2003).

In light of the psychological contracts theory, we propose that a pre-acquisition alliance serves as a means for merging firms to overcome the limitations of formal evaluation and due diligence processes. By encouraging socialization and interpersonal relationships, firms can reach a stage akin to "courtship" – a deeper level of emotional inter-organizational involvement. During this stage, the value generated through relational learning enhances both pre-and post-acquisition performance. Thus, we argue that the development of psychological contracts between individuals in two companies is a prerequisite for the occurrence of relational learning within the alliance that precedes the formal pre-acquisition process. Psychological contracts formed during this period help employees from both organizations feel more connected to one another, foster mutual trust, and promote a willingness to assume mutual obligations. Consequently, the lens of psychological contracts offers an explanation for why pre-acquisition alliances facilitate the establishment of common ground and enable *learning about* the partner, even prior to the formal pre-acquisition process.

The formation of a psychological contract enables both parties to understand their mutual obligations. Consistent with Bal et al. (2013), we argue that this is closely linked to familiar environments. In a familiar context, mutual obligations are implicit yet comprehensible, facilitating reciprocity and trust-building, thereby enhancing the ability to learn about the partner. We operationalize the level of familiarity through the combination of market familiarity (industrial relatedness) and cultural familiarity (cultural distance). Previous studies have shown that while unfamiliar contexts offer greater potential for organizational learning (Muehlfeld et al., 2012), familiar contexts provide better conditions for relational learning (Cheung et al., 2011), thereby adding more value to the alliance and subsequent acquisition stages. Investigating the relationship between previous alliance and M&A from a relational learning perspective is a significant contribution of our study. It enhances the theoretical dialogue between the M&As, strategic alliances, and learning literature, thereby addressing the recent call for more cross-disciplinary research in M&As. Moreover, we extend the often cited but rarely tested distinction between learning *from* the partner and learning *about* the partner (Hoang and Rothaermel, 2005). Our thesis posits that learning from the partner is associated with organizational learning, leading to innovation outcomes and improved joint project performance, while learning *about* the partner is associated with relational learning, facilitating a more efficient acquisition integration process (Rouzies et al., 2018).

We have developed a unique longitudinal dataset by merging multiple sources to examine the effect of previous alliance on post-acquisition performance across various familiarity contexts. First, data on alliances and acquisitions from 2005 to 2018 were collected from Securities Data Corporation (SDC) Platinum, providing information on over 30,000 yearly acquisitions and 2000 yearly alliances.

[1] In addition to organizational learning, a few studies complement this perspective with arguments from the economics of information (e.g., Al-Laham et al., 2010; Ragozzino and Moschieri, 2014). For instance, pre-acquisition alliance enables sellers to signal their value to potential buyers, thereby reducing information asymmetry and mitigating adverse selection for acquirers (e.g., He et al., 2020; Porrini, 2004).

Second, financial data needed in order to construct the performance measure – specifically the change in return on assets (ROA) – were obtained from the EIKON and ORBIS databases for the period 2004–2020. Previous studies that explore the relationship between previous alliances and post-acquisition performance primarily employed regression models (e.g., Porrini, 2004). However, this empirical strategy possesses a notable limitation as it fails to control for endogenous effects and confounding factors. To address these concerns, we use propensity score and strata-based matching techniques to correct for endogeneity. Consequently, another contribution of our study is that, to the best of our knowledge, it is the first empirical research to examine the endogeneity-corrected effect of pre-acquisition alliances on post-acquisition performance.

In the following section we develop our conceptual framing and propose hypotheses regarding the moderating effect of country and industry familiarity. We subsequently present the dataset, operationalization of variables, and statistical methods employed. The presentation of the analyses and results of the two hypotheses is preceded by an examination of the baseline effect and followed by robustness tests. Finally, we conclude the work by discussing the key academic and managerial implications, limitations, and avenues for future research.

2. Background literature

2.1. Temporality in M&As: the role of strategic alliances

Despite the extensive research conducted on the critical factors associated with the pre-agreement and post-agreement phases of acquisitions, most M&As ultimately fail (Bauer and Matzler, 2014; Dyer et al., 2004; Tuch and O'Sullivan, 2007). The high failure rates can be attributed to the complex, multilevel, multifaceted, and multitemporal nature of M&As (Haleblian et al., 2009; King et al., 2004; Shi et al., 2012; Stahl and Andreas, 2008). A limitation of the literature is that most studies tend to focus on isolated aspects without offering a comprehensive and integrated perspective that considers both pre- and post-agreement factors (Gomes et al., 2013). Thus, it is imperative to adopt a comprehensive temporal approach that spans the various phases of the acquisition process. Notably, learning during the post-acquisition integration period is very important, as reported in several studies. (Graebner et al., 2017; Mirc and Parker, 2020; Zollo and Singh 2004).

However, we contend that the learning process should commence prior to the actual acquisition and even before the acquiring firm commits to acquiring a specific target (Gomes et al., 2013; Love and Ganotakis, 2013; Porrini, 2004; Sousa et al., 2021). In this regard, a temporary strategic alliance with a potential target can offer a distinctive learning opportunity that may not be available once the acquisition is completed. Specifically, establishing a pre-acquisition alliance can serve as an experientially driven approach to gaining insight into and evaluating the target before making a final decision regarding the deal. As evidenced by a limited but notable research stream in the M&A literature, the ability to engage in such a relationship prior to the acquisition decision and the initiation of a formal pre-acquisition process can facilitate the management of the pre-agreement stage and subsequently facilitate smoother post-agreement integration and performance (Al-Laham et al., 2010; Porrini, 2004; Zaheer et al., 2010).

A strategic alliance is typically defined as "a voluntary arrangement between firms involving exchange, sharing, or co-development of products, technology, or services" (Gulati, 1998, p.293). Strategic alliances and M&As have traditionally been viewed as distinct approaches to achieve growth, characterized by varying levels of corporate control and resource commitment (Gomes et al., 2011). Consequently, scholars often consider them as alternative options (Yang et al., 2010). Despite the existence of commonalities between strategic alliances and M&As, prior research has only marginally explored the relationships between the two (Gomes et al., 2021).

The very few studies that have examined those relationships have focused on a specific industry such as manufacturing (Porrini, 2004), biotech (Al-Laham et al., 2010), or high-tech (Zaheer et al., 2010) or have examined domestic acquisition within a single country such as in the U.S. (Al-Laham et al., 2010; He et al., 2020; Porrini, 2004). Consequently, they report findings about acquisitions preceded by alliances between firms from familiar contexts, i.e., high market familiarity (same country and same industry), and high cultural familiarity (domestic acquisitions). Hence, there is a need for a more nuanced investigation of the effect between the existence of a pre-acquisition alliance and post-acquisition performance in familiar and non-familiar contexts. We argue that such an investigation is necessary because the ability and necessity of inter-firm learning may vary depending on the level of familiarity between collaborating firms.

2.2. Learning in strategic alliances

We identify two types of learning in strategic alliances. First, through organizational learning, partners can acquire expertise, practices, and specialized knowledge from each other (Inkpen, 1998; Meier, 2011). By sharing resources and gaining exposure to their partners' internal processes, firms can tap into their partners' skills and knowledge, thereby facilitating their own skill development (Tsang, 1999). This approach, which we label "learning from the partner", aligns well with open innovation approaches, in which partners collaborate to share complementary knowledge and develop new products or processes (Shaikh and Levina, 2019). In the context of pre-acquisition alliances these joint innovation outcomes have been identified as a key element in explaining the higher post-acquisition performance when a prior strategic alliance is in place (e.g., Porrini, 2004; Meschi et al., 2018).

Second, through relational learning it is possible to gain insights into the partner's approaches, strategies, culture, leadership styles, and overall organizational dynamics (Mirc, 2012). It emphasizes the importance of understanding the relational aspects between the partnering entities, including their interdependencies, communication patterns, decision-making processes, and mutual expectations (Larson, 1992). Relational learning goes beyond knowledge acquisition. It involves a deeper exploration of the partner's context and the establishment of a meaningful relationship. It often requires building trust, effective communication channels, and shared

understanding to nurture collaboration and leverage the synergies between the partnering entities (Gulati and Kletter, 2005). This approach, which we label "learning about the partner", enables the development of a more comprehensive understanding of the partner's strengths, weaknesses, and unique capabilities. This understanding facilitates better collaboration, coordination, and alignment of goals, leading to enhanced performance and mutually beneficial outcomes for the partnering entities (Smirnova et al., 2018). In the context of pre-acquisition alliances, we argue that this approach may be especially important as it ensures the creation of a psychological contract and common ground. As a result, it may, at least in part, explain the higher post-acquisition performance when a prior strategic alliance is in place.

2.3. Psychological contract and common ground in pre-acquisition strategic alliances

Psychological contract refers to individual beliefs held by individuals within a relationship regarding the mutual and reciprocal obligations, such as the expectation of hard work, trust, loyalty, and willingness to make sacrifices in exchange for certain inducements (Rousseau, 1990, 1995). These beliefs exist at the relational level and do not necessarily correspond to formal stakeholder roles (Guest, 1998).

In contrast to the more static, tangible, and formal due diligence evaluation process employed in assessing an acquisition target, pre-acquisition alliances provide an opportunity to establish a more dynamic, intangible, and open-ended relational contract (Rousseau, 1990) among individuals from both firms. As the relationship progresses beyond a contractual-based entry level, it evolves into a deeper emotional and individual level, contributing to a better understanding of mutual expectations and obligations, as well as the development of trust.

Unlike the substantive expertise gained through formal pre-acquisition due diligence evaluations (Angwin, 2001; Cuypers et al., 2017), the expertise achieved from the pre-acquisition alliance relationship is situated and contextual (Barley 1996). It is generated within the interactions and relationships among individuals and objects (Pakarinen and Huising, 2023) and developed through practical experiences within the specific context (Barley, 1996). Within this context, individuals establish relational networks, gain personal knowledge of key individuals, and reduce information asymmetry between partner firms. The relational learning process facilitated by the establishment of psychological contracts influences the structure of the embedded social network, contributing to the creation of synergies (Mirc, 2012). Therefore, we argue that it provides a fertile environment for developing common ground between two firms (Lane and Lubatkin, 1998).

Common ground refers to "the sum of individuals' mutual, common or joint knowledge, beliefs, and suppositions" (Clark, 1996, p93). It represents the information that is known and acknowledged by all parties involved. (Puranam et al., 2009). Common ground can be established rapidly after an acquisition as an alternative to formal procedures, such as structural integration in the post-M&A process (Angwin and Meadows, 2015; Mirc et al., 2022; Puranam et al., 2009); it can also be quickly developed during the pre-acquisition alliance period through relational learning. Putnam (1995) suggests that common ground generates social capital, which encompasses features like networks, norms, and social trust that facilitate coordination and cooperation for mutual benefits. Therefore, common ground strengthens the psychological contract between individuals from both organizations. As psychological contract and mutual trust interact, they form a positive feedback loop in the alliance relationship, building mutual trust and reducing uncertainty and opportunism (Gulati, 1995). The common ground established through relationship learning may become embedded in interfirm resources and routines (Dyer and Singh, 1998), and can be transferable to the subsequent acquisition.

In sum, the formation of psychological contracts and the establishment of common ground during the strategic alliance phase offer greater benefits compared to knowledge developed solely during post-M&A integration stage. This is important as it allows parties involved to accumulate knowledge from the relationship over time, recognizing that learning is a gradual process (Sousa et al., 2021). As a result, the synergies generated during the pre-acquisition alliance period contribute to the effectiveness of post-acquisition implementation and overall performance.

3. Hypotheses development

3.1. The role of familiarity in pre-acquisition strategic alliances

As mentioned above, when discussing learning in strategic alliances, the literature focuses primarily on knowledge transfer and learning from the partner (Inkpen, 1998; Tsang, 1999; Meier, 2011). The prevailing perspective derived from these studies suggests that strategic alliances can offer specific benefits to partner firms operating in unfamiliar market and cultural contexts (Muehlfeld et al., 2012). While some scholars argue that firms from unrelated industries can access information and knowledge that may not be available within their own industry (Gomes et al., 2011), other scholars assert that international alliances involving partners from different countries are typically associated with the exchange of more specialized knowledge and therefore greater potential to learn (Morosini et al., 1998; Stahl and Andreas, 2008; Vendrell-Herrero et al., 2017; Vermeulen and Barkema, 2001). Taken together, these perspectives suggest that in unfamiliar contexts, there are unique opportunities to learn from the partner (Zaheer et al., 2010).

While we acknowledge the benefits of learning from partners in various industries and countries, our attention is directed toward pre-acquisition alliances as mechanisms that facilitate *learning about the partner* (before an acquisition) – or accessing partner-specific knowledge (Hoang and Rothaermel, 2005). Unlike the literature focusing on learning from the partner, especially those from different contexts (e.g., industrial and cultural), we argue that the ability to *learn about the partner* during a pre-acquisition alliance is partly determined by the degree of familiarity between the firms.

According to Testoni et al. (2022), the primary driver of value in pre-acquisition alliance relationships resides not only in the

potential to learn, but also in the conditions that enable learning, such as face-to-face interaction. In this regard, we contend that relational learning is facilitated by the establishment of psychological contracts, which are more likely to form when partner firms possess a mutual familiarity with each other's contexts. Context familiarity promotes sense-making and allows firms to develop a better understanding of their shared expectations and responsibilities through the implicit formation of psychological contracts. In strategic alliances involving partners from unfamiliar contexts, achieving psychological contracts becomes much more challenging since much of the interaction "gets lost in translation" due to the limited common ground and shared understandings. As Guest (1998, p.652) aptly puts it, it resembles "two strangers passing blindfolded and in the dark, disappointed at their failure to meet".

Familiarity encompasses various dimensions within a country as well as between different countries. Consequently, we formulate distinct moderation hypotheses for familiarity at domestic-level and familiarity at the international level.

3.2. The role of industrial familiarity in domestic settings

In the context of domestic settings, it is important to consider familiarity at the industry level. Firms operating in different industrial contexts are expected to be less familiar compared to firms operating in a related industrial environment (Varadarajan and Cunningham, 1995; Christensen and Gordon, 1999). This distinction allows us to define market familiarity, which pertains to partners operating within highly related industrial boundaries within the same domestic market.

While it is commonly acknowledged that industrial differences can enhance the learning process from partners in regular strategic alliances (Ho and Wang, 2015) and lead to increased innovation outcomes (Enkel and Gassmann, 2010), we argue that the same principle may not apply to pre-acquisition alliances. In these alliances, learning about the partner requires a mutual understanding that exceeds the potential for innovation. We propose that a higher level of market familiarity plays a key role in facilitating the comprehension of mutual expectations and obligations, and the establishment of common ground between pre-acquisition partner firms. The acquisition of Cellzome by GlaxoSmithKline (GSK) serves as an example. As part of their pre-acquisition strategy, between 2008 and 2010 GSK strategically implemented a series of research and development (R&D), marketing, and exclusive licensing alliances with Cellzome, a drug company operating in the same industry. These alliances not only allowed GSK to gain valuable insights into Cellzome's technology but also, in line with their stakeholder strategy (Saïd et al., 2019), enabled them to establish strong relationships with key workers and scientists. This engendered trust and collaboration, which proved to be essential during the subsequent integration phase.

The use of pre-acquisition alliances by GSK highlights that the barrier to relational learning between partner firms in the same industry is lower, primarily due to a better mutual understanding of each other's expectations and behaviors. Market familiarity can accelerate the formation of psychological contracts and common ground between partners during the pre-acquisition alliance, and develop mutual trust and minimize uncertainty, opportunistic behavior, knowledge leakage, and free riding of partners (Gulati, 1995; Lavie et al., 2022; Robinson, 2008). Consequently, it can facilitate knowledge and resource exchange, maximize synergy, and enhance efficiency gains during the post-acquisition phase (Capron and Mitchell, 2004; Harrison et al., 1991). Based on these considerations, we hypothesize that:

H1. The greater the market familiarity, the greater the strategic alliance enhancing effect on post-acquisition performance.

3.3. The role of cultural familiarity in international settings

We aim to delve into the impact of cultural familiarity in international settings, a factor that can strongly influence the outcomes of cross-border alliances. Cultural distance, which reflects the extent to which shared norms and values differ between countries (Hofstede, 2001), serves as our measure for examining the influence of pre-acquisition cross-border alliances. Previous research grounded in the resource and knowledge-based views of the firm has shed light on the positive effect of national cultural differences in international strategic alliances (Sirmon and Lane, 2004), highlighting the importance of *learning from* the partner. Likewise, other scholars have demonstrated the advantage of leveraging inter-organizational collaborative arrangements to facilitate entry into culturally distant countries (Kogut and Singh, 1988).

However, despite recognizing the potential for M&As and alliances to overcome national cultural differences and create opportunities for *learning from* the partner, we argue that disparities in institutions, norms, culture, language, and management styles may hinder firms' ability to effectively use pre-acquisition alliances as a means to learn about the partner and capitalize on the potential benefits.

For example, in the context of pre-acquisition alliances, gaining a deep understanding of the new routines and practices embedded in the target's national cultural context is essential (Morosini et al., 1998). Cultural stereotypes can exacerbate conflicts, fueling nationalism or ethnocentrism, thereby impeding effective collaboration (Vaara, 2003). Moreover, the clash of cultures can erect complicated barriers to post-acquisition integration, hampering seamless communication throughout the process (Angwin et al., 2014; Angwin and Vaara, 2005).

Adopting a social identity perspective, Turner (1982) highlights that in-group *versus* out-group biases arising from different cultures can amplify stress and uncertainty, making it challenging to achieve mutual understanding. Reconciling "our" uniqueness and "their" otherness becomes a complex undertaking (Kleppestö, 2005). Consequently, when pre-acquisition partners are less familiar with each other's culture, it becomes more difficult for them to establish psychological contracts and create common ground that would enable them to learn more about each other even before the pre-acquisition process takes place. Based on these considerations we propose the following hypothesis:

H2. The greater the cultural familiarity, the greater the strategic alliance enhancing effect on post-acquisition performance.

4. Data and variables

4.1. Data collection

The original data of M&As were obtained from Securities Data Corporation (SDC) Platinum, encompassing both disclosed and undisclosed value deals on a global scale. The database provides approximately 30,000 M&As and 2000 strategic alliances annually. In our analysis, we integrated strategic alliances and M&As across all industries and countries for the period 2005–2018. The 14-year duration surpasses the time frame employed in previous studies that employed the same methodological approach for data collection (e.g., 10 years in Porrini (2004); 9 years in Zaheer et al. (2010)). We included licensing, manufacturing, marketing, R&D, and technology transfer types of alliances.

To integrate the M&A and Strategic alliance databases, we employed a three-step approach. First, we used a C-sharp language program to identify M&A instances in which the acquirer had previously engaged in an alliance with the target. All M&As and strategic alliance cases were organized chronologically from 2005 to 2018. For each M&A case we checked if the target name and acquirer name appeared in the participants list of strategic alliance (SA). If a match was found the case was classified as an M&A with a prior strategic alliance, and vice versa, as illustrated in Fig. 1. Following the initial screening, we identified a total of 417 M&A cases involving full or majority acquisitions that had a previous alliance with the target.

Second, we examined the balance sheet and income statement using the EIKON and ORBIS databases to retrieve financial information. EIKON, provided by Thomson Reuters, includes financial data of publicly listed companies worldwide, spanning from their initial listing until the present. In comparison, ORBIS, developed by Bureau van Dijk, offers financial data for both public and private companies over the past decade. The financial information used in this study follows a longitudinal approach, encompassing data from one year before and two years after the date of the acquisition. By combining these two databases we were able to obtain the necessary financial information, including total assets, number of employees, and net income for both private and public companies covering the 2004–2020 period. From the initial pool of 417 cases, we excluded 222 cases due to missing financial data and repetitive entries, resulting in a treated sample of 195 M&A cases with previous strategic alliances. Among these cases 35% of the strategic alliances were in the manufacturing sector, 20% in marketing, 14% in technology transfer, 12% in R&D, and 1% in licensing. The remaining 18% involved multiple types of alliances, such as marketing and R&D.

Finally, we constructed a control sample. A stratified random sample of M&A cases without previous alliances (control group) was generated, which was at least twice the size of the sample of M&As with previous alliances (treated group). The selection was based on industry, company size, and acquisition year. A total of 517 cases were identified for the control group, while the treated group comprised 195 M&A cases, resulting in a dataset of 712 M&A cases. This dataset includes cases from 32 industries and 34 countries.[2] The top three representative acquirers' industries are manufacturing-related industries (29.5%), healthcare-related industries (21.2%), and investing and business services (14.6%). The top five acquirers' countries are the United States (36.2%), Japan (16.6%), India (6.3%), China (6.3%), and the UK (5.1%).

Fig. 2 exploits the longitudinal capacity of the data to depict the progression of the percentage of firms with previous strategic alliances (represented by the connected dotted line) and cumulative frequency of M&As (represented by the plain solid line) over the analyzed period. Considering the time required for an acquisition to take place following a strategic alliance, it is expected that the percentage of strategic alliances would be higher in the initial years covered by the database. The figure confirms this expectation, as the percentage of strategic alliances is notably higher before 2013 (with the exception of 2008). The larger vertical gap in the cumulative frequency of M&As indicates a higher proportion of M&As in our sample occurring during that specific year. As the years preceding the financial crisis (particularly 2006 and 2007) appear to be overrepresented in the sample, we will control for this effect in our analyses.

4.2. Variables

Dependent variable. The change in Return on Assets (ROA) from one year before the acquisition to two years after the acquisition as indicated in Equation (1), with year 0 being the acquisition year (Porrini, 2004).

$$ROA_{chg(-1\sim+2)} = \frac{(ROA_{+2} - ROA_{-1})}{ROA_{-1}} \tag{1}$$

The calculation of Return on Assets (ROA) involves dividing net income by total assets. ROA is an efficient and widely used financial metric for evaluating company performance (Azeez, 2015). It takes into account the income statement and total assets to gauge the ability of assets to generate income. Due to its comprehensive nature and relative stability compared to net worth, previous M&A studies (Meeks and Meeks, 1981; Porrini, 2004) have used ROA as a performance measure (e.g., Haleblian and Finkelstein, 1999). In our study the dependent variable – ROA change – indicates the profitability of a company's total assets in generating after-tax profits following the acquisition. To construct this variable we collected accounting data (specifically, ORBIS, EIKON) from the years 2004 (one year prior to the first M&A) to 2020 (two years after the last M&A).

[2] A full list of countries and industries is available from the authors upon request.

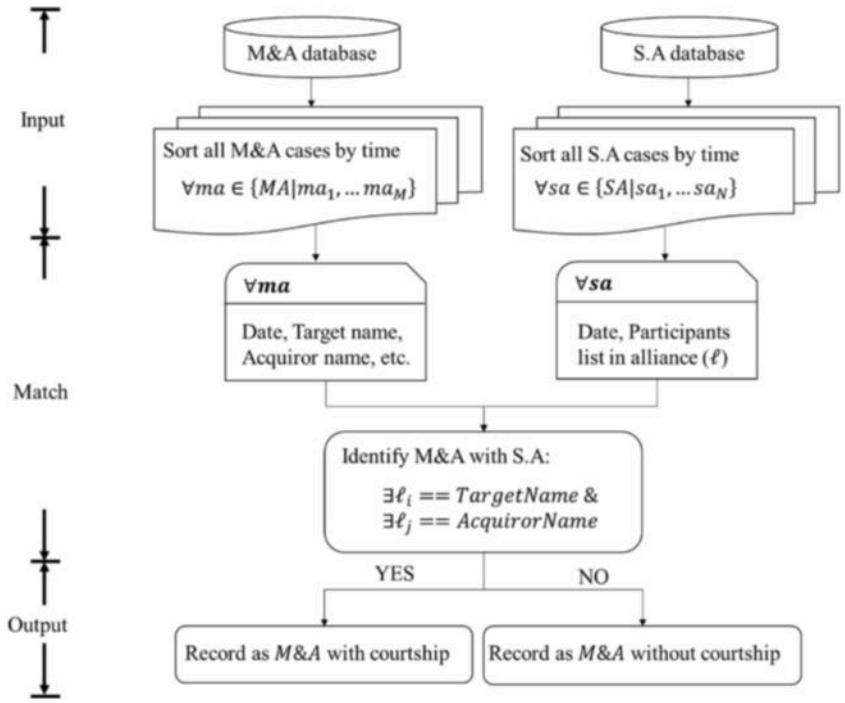

Fig. 1. Flow chart of detection algorithm of M&As with/without strategic alliance cases.

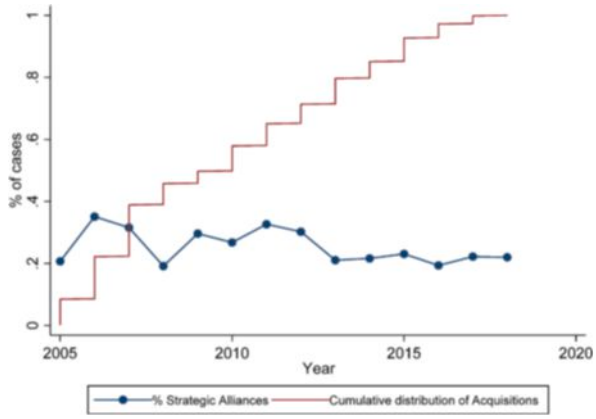

Fig. 2. Percentage of strategic alliance and M&A cases over the years.

Independent variable. It reflects if the acquirer and target firms had a strategic alliance prior to the acquisition. To operationalize this variable we created a dummy variable for which a value of '1' was assigned to cases in which acquiring firms had a strategic alliance with the target (referred to as a courtship period between the two firms). A value of '0' was assigned to M&A cases in which the acquiring and acquired firms did not have a previous strategic alliance with each other.

Moderating Variables. We formulated hypotheses to explore the positive moderating role of familiarity in the relationship between previous strategic alliance and post-acquisition performance. Our study has two hypotheses, each focusing on a different measure of familiarity. The first hypothesis (H1) examines market familiarity, which is defined as M&As in which both the acquirer and target companies have their headquarters in the same country and operate within a highly related industry. We consider that two firms are operating in a highly related industry when the first two SIC codes coincide (Anand and Singh, 1997). It is worth noting that approximately one-third of the sampled M&A cases reveal market familiarity according to our definition. The second hypothesis (H2) addresses cultural familiarity, which is assessed through the concept of cultural distance. Cultural distance quantifies the extent to which shared norms and values differ across countries (Hofstede, 2001). We calculate the cultural distance between the acquirer and target countries using the Kogut and Singh (1988) method. We used Hofstede's six dimensions, namely power distance, individualism, masculinity, uncertainty avoidance, long-term orientation, and indulgence. Note that in our measure of cultural familiarity domestic

M&As were assigned a value of '0' by design.

Control variables. Nine control variables were used, categorized according to their unit of analysis: acquisition-level (number of workers, related acquisition, and financial crisis), alliance-level (comprehensive alliance), acquirer-level (acquirer experience, public company, industry dummies, and country dummies), and target-level (high-tech target). We describe each variable in detail below.

Number of workers: This variable represents the average number of employees from year t-1 to year t+1. Previous literature has indicated an inverse relationship between the size of acquirers and financial returns in the M&A process (Moeller et al., 2004). To enhance the interpretability of the coefficients, the value is divided by 1000.

Related acquisitions: The industrial relatedness between acquirers and targets is commonly believed to influence the post-acquisition performance of the resulting firms (King et al., 2004). The measure of industrial relatedness between the target and acquirer industries is based on the four-digit standard industry classification code (Sirower, 1997). The variable is assigned a value of '3' if the target and acquirer share the same primary three SIC codes, '2' if they share the same primary two SIC codes, and '1' if the two primary two SIC codes do not coincide.

Financial crisis: We controlled for the effects of undertaking an M&A deal during the global financial crisis period (Vendrell-Herrero et al., 2018). Thus, acquisitions between the years 2008 and 2012 were coded as '1', and '0' otherwise.

Comprehensive alliance: As mentioned above, 18% of the sampled alliances involve multiple types of alliance. We posit that repeated alliances may create additional opportunities for information and resource exchange, potentially influencing post-acquisition performance (McCarthy and Aalbers, 2022). The comprehensive alliance variable is a dummy variable that takes the value '1' if the acquirer and target firms have had more than one type of strategic alliance before the acquisition, and '0' otherwise.

Acquirer's experience: Acquisition experience can influence subsequent acquisition behavior and post-acquisition performance (Cerrato et al., 2016; Hayward, 2002). Previous research in the field of M&A has demonstrated the occurrence of adaptive learning during past acquisitions, which carries over the future acquisitions (Cuypers et al., 2017). Consequently, a more experienced acquirer may benefit from an ability to anticipate the competitors' behaviors and adjust its strategy accordingly (Fudenberg and Levine, 1998). We calculated the total number of acquisitions for each acquirer in the comprehensive M&A dataset obtained from SDC spanning the period from 1965 to April 2022, consisting of 132,360 cases. We then sorted all the cases in descending order based on the number of acquisitions, obtaining the data for the top 500 historical acquirers. Among the top acquirers, 92 are present in our dataset, approximately 13% of the sampled acquisitions. The acquirer experience variable is a dummy that is assigned a value '1' if the acquirer is among the top 500 acquirers, and '0' otherwise.

Public company: The type of acquiring company can potentially influence the post-acquisition performance, as private acquirers have been found to pay lower prices for target firm assets compared to public acquirers (Bargeron et al., 2008). To account for this, we distinguish between publicly owned companies, taking the value of '1', and private or formerly public companies, assigned a value of '0'.

Industry dummies: We incorporated dummy variables for the top three representative industries of the acquiring firm, namely manufacturing, healthcare, and investment and business services.

Country dummies: We accounted for the headquarters' location of the acquiring firms by including dummy variables for each of the 34 countries represented in our sample.

High-tech target: Due to the higher level of uncertainty associated with high-tech industries compared to other industries (Ragozzino and Moschieri, 2014), post-acquisition performance in these industries may exhibit greater volatility. We control for this effect by introducing a dummy variable that takes '1' if the target firm operates in a high-tech industry as defined by OECD Directorates for Science (2011), and '0' otherwise. Of the sampled target firms, 271 operate *in high-tech industries, which is approximately 38% of the acquisitions considered.*

4.3. Empirical strategy

We begin by examining the baseline effect of a previous strategic alliance on post-acquisition performance through Ordinary Least Squares (OLS). The estimated equation is as follows:

$$ROAchange_{i,t-1\ to\ t+2} = \alpha_0 + \alpha_1 * PSA_{i,t} + \Omega_i + \vartheta_c + \vartheta_s + \vartheta_p + \varepsilon_i \quad (2)$$

where subscript i denotes the firm, Ω_i represents a vector of control variables including the number of employees, financial crisis period, comprehensive alliance, acquirer experience, and high-tech target. Additionally, ϑ_c denotes the acquirer's country dummies, ϑ_s indicates acquirer's industry dummies, ϑ_p indicates acquirer's public firm status dummy, and ε_i is the error term. Subsequently, we test the moderating hypotheses of market and cultural familiarity by introducing the respective interaction effects, as illustrated in the equations below:

$$ROAchange_{i,t-1\ to\ t+2} = \alpha_0 + \alpha_1 * PSA_{i,t} + \alpha_2 Market * PSA_{i,t} + \Omega_i + \vartheta_c + \vartheta_s + \vartheta_p + \varepsilon_i \quad (3)$$

$$ROAchange_{i,t-1\ to\ t+2} = \alpha_0 + \alpha_1 * PSA_{i,t} + \alpha_3 Cultural * PSA_{i,t} + \Omega_i + \vartheta_c + \vartheta_s + \vartheta_p + \varepsilon_i \quad (4)$$

where Market refers to market familiarity (dummy) and Cultural refers to cultural distance (index). H1 will be supported if $\alpha_2 > 0$, and H2 will be supported if $\alpha_3 < 0$.

This estimation procedure may be subject to bias due to the presence of confounding variables; that is, variables that explain the decision to undertake a previous strategic alliance may be the same as those that explain post-acquisition performance. To address this

endogeneity issue, we implement three independent matching procedures, all of which rely on the principle of conditional independence. In other words, by conditioning the treatment (having a previous strategic alliance) on a set of covariates, our treatment becomes comparable to a randomly assigned treatment (Abdia et al., 2017).

There are two characteristics that differentiate matching procedures into three groups. The first is whether the matching is based on propensity scores or stratification techniques. Propensity Score Matching (PSM) uses predicted values from a logistic regression model, with the treatment variable as the dependent variable, to match treated and untreated observations. In contrast, the Coarsened Exact Matching (CEM) defines strata, such as combinations of size class and industries, and eliminate strata in which only treated or untreated groups are represented. Furthermore, CEM assigns weights to each observation based on their sample and strata representativeness. The main advantage of PSM is its ability to reduce bias between the treated and untreated groups, enabling more robust comparisons by matching each case of the treated and untreated groups based on their propensity score (Aquilante and Vendrell-Herrero, 2021; Dhanorkar, 2019). In contrast, the main advantage of CEM is its ability to ensure that correcting imbalance of one variable does not affect the imbalance of any other variable (Blackwell et al., 2009).

The second characteristic is the use of weights. While CEM inherently requires the use of weights, PSM can be implemented both with weights (e.g., Kernel) and without weights (e.g., One-to-One). For the purpose of robustness, our research differs from previous literature that compared only CEM versus PSM (e.g., Dhanorkar, 2019) or One-to-One versus Kernel (Aquilante and Vendrell-Herrero, 2021). Instead, we compare the results obtained from analyzing the full sample with those derived from employing One-to-One, Kernel, and CEM matching techniques. This comprehensive approach enhances the reliability and validity of the findings.

5. Results

5.1. Descriptive statistics

Table 1 shows the distribution of different scenarios ordered by their level of familiarity with the target: (1) market familiarity (33% of observations); (2) domestic acquisitions in different industries (31.3%); (3) cross-border acquisition with below median cultural distance (18.1%); and (4) cross-border acquisition with above median cultural distance (17.6%). The table also reports the conditional probability of having a previous strategic alliance in each of these scenarios. Notably, the conditional probability of having a previous strategic alliance appears to increase with the level of unfamiliarity. Specifically, the probability of having a previous strategic alliance is 17% for scenario 1, rises to 24% for scenario 2, and reaches 39% and 38% for scenarios 3 and 4, respectively. These descriptive findings suggest that managers of acquiring firms may follow the same logic as the current organizational learning theory, indicating a greater potential to learn from partnering with unfamiliar targets (e.g., Enkel and Gassmann, 2010; Ho and Wang, 2015; Sirmon and Lane, 2004).

Table 2 displays the means and standard deviations of selected variables by the previous alliance status. The Kruskal-Wallis test is applied to evaluate whether the samples of two groups stem from the same distribution (Vendrell-Herrero et al., 2022). This analysis reveals no significant differences between the two groups concerning the variables "Financial Crisis Period", "High-tech target", and industry dummies ($p > 0.1$, except for the machine and equipment industry). However, there are significant differences at the 5% level ($p < 0.05$) for "ROA change," "Related acquisitions", and "Acquirer experience". Moreover, there are differences at the 1% level ($p < 0.01$) for variables such as "Number of Workers/1000," "Public company," "Cross-border M&A", "Public Company", "Comprehensive alliance", and "Cultural distance". These results suggest the presence of bias between the treated and control groups, which may affect the validity and consistency of the findings. To mitigate the differences between these groups, three distinct matching procedures are performed.

5.2. Matching implementation

Regarding Propensity Score Matching (PSM), we generate propensity scores by conducting a logistic regression analysis with the previous strategic alliance as the dependent variable. The explanatory variables include number of employees, public company, cross-border M&A, cultural distance, acquirer experience, related acquisitions, and industry dummies. For One-to-One matching, we employ nearest neighbor matching without replacement and a caliper of 0.1. As for Kernel matching, we use the Epanechnikov function to estimate matching weights (Heckman et al., 1997). This process yields a sample size of 364 M&As for One-to-One matching and 706 M&As for Kernel matching. Regarding Coarsened Exact Matching (CEM), we created 247 strata, and our analysis identified treated and untreated groups in 78 of these strata, leading to a reduction of 329 observations. As a result, the CEM procedure produces a sample of 383 M&As.

Table 3 reports the quality of the matching procedures implemented. We assess the quality of matching by examining the reduction in the differences in means for each variable after implementing the matching procedures, compared to the differences observed in the full sample. This reduction in bias is calculated for each variable, and the average reduction bias rate provides an overall measure of the matching quality. Our findings indicate that all matching procedures effectively reduce the bias present in the full sample, but to varying degrees. The average reduction bias rate in One-to-One matching is 52.8%, for Kernel matching it is 80.9%, and for CEM it is 90.8%.

5.3. Estimating the baseline effect

In Table 4 we present the results of estimating Equation (2) for the full sample, One-to-One matching, Kernel matching, and CEM to

Table 1
Sample composition.

Acquisition	Degree of familiarity	Observations		Previous Strategic alliance
		Frequency	Percentage	Percentage
Domestic	Market familiarity	235	33.0%	17.5%
	Only country familiarity	223	31.3%	24.2%
	All	458	64.3%	20.9%
Cross-border	Cultural unfamiliarity (below median)	129	18.1%	39.5%
	Cultural unfamiliarity (above median)	125	17.6%	38.4%
	All	254	35.7%	38.9%
All cases	All	712	100.0%	27.4%

Table 2
Means and Standard Deviations by Previous Strategic Alliance status.

	Acquisition without previous Strategic Alliance	Acquisition with previous Strategic Alliance	Kruskal Wallis (χ^2)
# Observations	517	195	
% Observations	72.6%	27.4%	
ROA Change	−2.05	0.82	3.85**
	(23.90)	(7.81)	*0.050*
Cultural distance	0.73	1.01	9.35***
	(1.30)	(1.40)	*0.002*
# of Workers/1000	17.70	38.00	18.50***
	(37.42)	(70.12)	*0.000*
Related acquisitions	2.09	2.42	5.57**
	(0.94)	(2.31)	*0.018*
Cross-border M&A	0.30	0.51	26.63***
	(0.46)	(0.50)	*0.000*
Financial Crisis Period	0.40	0.43	0.41
	(0.49)	(0.50)	*0.522*
Comprehensive alliance	0.00	0.18	14.45***
	(0.00)	(0.39)	*0.000*
Acquirer experience	0.11	0.21	4.52**
	(0.32)	(0.41)	*0.033*
Public Company	0.82	0.72	8.22***
	(0.38)	(0.82)	*0.004*
Healthcare related	0.20	0.24	1.79
	(0.40)	(0.43)	*0.181*
Manufacturing related	0.32	0.25	3.62*
	(0.47)	(0.43)	*0.057*
Investing and business	0.06	0.04	0.81
	(0.23)	(0.20)	*0.368*
Other Industries	0.42	0.47	1.17
	(0.49)	(0.50)	*0.280*
High-Tech target	0.37	0.41	0.52
	(0.48)	(0.49)	*0.471*

Standard deviations are in parentheses. P-values for Kruskal Wallis tests are in *italics*. ***p < 0.01, **p < 0.05, *p < 0.1.

examine the impact of previous strategic alliance on post-acquisition performance, accounting for baseline effects. Consistent with prior research, we find a positive and statistically significant effect of previous strategic alliance on post-acquisition performance ($p < 0.05$ in the full sample, One-to-One, and Kernel, and $p < 0.01$ in CEM).

The results indicate that having a previous strategic alliance increases the change in Return on Assets (ROA) by a minimum of 1.98% (One-to-One) and a maximum of 4.16% (CEM). The estimates from the other two models fall within this range, with 3.81% for the full sample and 3.71% for Kernel matching. These results suggest that the true effect of a previous alliance strategy on ROA change may lie between 3.5% and 4%. The following analyses further explore the enhancing effect variation across different acquisition contexts.

5.4. Estimating the moderating effect of market familiarity

To test Hypothesis 1, which posits that the effect of previous strategic alliances on post-acquisition performance is greatest for domestic M&As in the same industry (market familiarity), we introduce the interaction term between previous strategic alliance and market familiarity into Equation (3). The results are in Table 5.

While the interactive term is marginally significant ($p < 0.1$) in most models and non-significant ($p > 0.1$) in the CEM specification, its economic value is substantial. In the full sample, One-to-One, and Kernel specifications, the effect of previous strategic alliances is multiplied by approximately 4, resulting in an increase of between 2.36% and 9.24% (2.36 + 6.87), 1.07% and 5.06% (1.07 + 3.98),

Table 3
Matching procedures.

Observations		Full Sample		One-to-One		Kernel	CEM
# **With** PSA		195		182		189	129
# **Without** PSA		517		182		517	254
# Total		712		364		706	383
Related variables	Difference in means	Difference in means	Reduction bias	Difference in means	Reduction bias	Difference in means	Reduction bias
Cultural Distance	0.280	−0.279	0.40%	−0.138	50.71%	−0.039	86.07%
# workers/1000	20.299	−2.520	87.6%	−0.390	98.08%	4.241	79.11%
Related Acquisitions	0.330	0.220	33.3%	0.048	85.45%	0.219	33.64%
Cross-border M&A	0.208	−0.088	57.7%	−0.005	97.60%	0.000	100%
Acquirer experience	0.100	0.011	89.0%	0.017	82.90%	0.000	100%
Public Company	−0.098	−0.011	88.8%	0.000	100.00%	0.000	100%
Healthcare related	0.046	−0.017	63.0%	−0.009	80.43%	0.000	100%
Manufacturing related	−0.074	−0.016	78.4%	−0.010	86.49%	0.000	100%
Investing and business	−0.017	−0.011	35.3%	0.003	85.29%	0.000	100%
Other industries	0.045	0.044	2.2%	0.017	63.33%	0.000	100%
High-tech target	0.040	−0.022	45.0%	−0.016	60.00%	0.000	100%
Av. Reduction bias			**52.8%**		**80.9%**		**90.8%**

PSA stands for Previous Strategic Alliance.

Table 4
The effect of PSA on Post-acquisition performance (Baseline).

	(1)	(2)	(3)	(4)
	Full sample	One-to-One	Kernel	CEM
PSA (Previous Strategic Alliance)	3.8180**	1.9878**	3.7097**	4.1603***
	(1.5704)	(0.9429)	(1.5762)	(1.4460)
	0.0153	*0.0358*	*0.0189*	*0.0043*
#Workers/1000	−0.0076	−0.0025	−0.0075	−0.0026
	(0.0065)	(0.0043)	(0.0077)	(0.0051)
	0.2403	*0.5607*	*0.3295*	*0.6158*
Financial Crisis Period	−2.3653	0.1129	−2.6827	0.3945
	(1.9320)	(0.9244)	(1.8901)	(1.3323)
	0.2213	*0.9029*	*0.1563*	*0.7673*
Comprehensive alliance	−1.8337	−0.8710	−1.4929	−2.0320
	(1.2115)	(0.8052)	(1.1324)	(1.4450)
	0.1306	*0.2802*	*0.1878*	*0.1606*
Acquirer experience	2.7900	−0.1074	3.3471	0.0741
	(2.0957)	(0.6171)	(2.6794)	(1.0659)
	0.1836	*0.8620*	*0.2120*	*0.9446*
High-tech target	1.8707	−0.2769	1.7636	−3.5605**
	(1.6070)	(0.9405)	(1.8752)	(1.7093)
	0.2448	*0.7686*	*0.3473*	*0.0380*
Constant	1.9714	−4.3745	1.4695	−7.7493
	(3.2467)	(2.6624)	(3.6844)	(4.8502)
	0.5439	*0.1014*	*0.6901*	*0.1111*
Observations	712	364	706	383
R-squared	0.182	0.154	0.257	0.110
Industry dummies	YES	YES	YES	YES
Country dummies	YES	YES	YES	YES
Public company dummy	YES	YES	YES	YES

Robust standard errors in parentheses. P-values in *italics*.***p < 0.01, **p < 0.05, *p < 0.1. Country, industry, and public dummies refer to the acquirer firm.

and 2.20% and 9.27% (2.20 + 7.07), respectively. In the CEM specification, the effect roughly doubles from 3.21% to 6.65% (3.21 + 3.44). Overall, these findings provide moderate support for H1, suggesting that the effect of previous strategic alliance on post-acquisition performance is amplified when the acquiring and acquired firms operate in the same country and industry (market familiarity).

Table 5
Examining the moderation role of Market familiarity (H1).

	(1)	(2)	(3)	(4)
	Full sample	One-to-One	Kernel	CEM
PSA (Previous Strategic Alliance)	2.3671**	1.0771	2.2060**	3.2142**
	(1.1007)	(0.8201)	(1.0938)	(1.2959)
	0.0319	*0.1900*	*0.0441*	*0.0136*
PSA*market familiarity	6.8763*	3.9856*	7.0707*	3.4420
	(4.0723)	(2.0732)	(3.7222)	(2.5324)
	0.0918	*0.0555*	*0.0579*	*0.1750*
#Workers/1000	−0.0064	−0.0030	−0.0079	−0.0037
	(0.0059)	(0.0047)	(0.0079)	(0.0049)
	0.2778	*0.5166*	*0.3215*	*0.4548*
Financial Crisis Period	−2.4217	0.0454	−2.7198	0.2452
	(1.9405)	(0.9015)	(1.8847)	(1.2996)
	0.2125	*0.9599*	*0.1495*	*0.8505*
Comprehensive alliance	−1.6370	−0.7490	−1.3072	−1.5747
	(1.2283)	(0.8409)	(1.1865)	(1.4215)
	0.1831	*0.3738*	*0.2710*	*0.2688*
Acquirer experience	2.5390	−0.4137	3.0750	−0.2456
	(1.9803)	(0.7013)	(2.5556)	(1.1237)
	0.2003	*0.5556*	*0.2293*	*0.8271*
High-tech target	1.8909	−0.3254	1.7715	−3.5556**
	(1.6020)	(0.9332)	(1.8445)	(1.6931)
	0.2383	*0.7276*	*0.3372*	*0.0365*
Constant	1.7429	−4.7126*	0.8820	−7.8716
	(3.2746)	(2.6785)	(3.8871)	(4.8727)
	0.5947	*0.0795*	*0.8206*	*0.1072*
Observations	712	364	706	383
R-squared	0.186	0.180	0.266	0.114
Industry dummies	YES	YES	YES	YES
Country dummies	YES	YES	YES	YES
Public company dummy	YES	YES	YES	YES

Robust standard errors in parentheses. P-values in *italics*.***p < 0.01, **p < 0.05, *p < 0.1. Country, industry, and public dummies refer to the acquirer firm.

5.5. Estimating the moderating effect of cultural familiarity

To test Hypothesis 2, which proposed that the effect of previous strategic alliance on post-acquisition performance increases with decreasing cultural distance (cultural familiarity), we include the interaction term between previous strategic alliance and cultural distance in Equation (4). The results are in Table 6.

The interaction term is negative and highly significant, indicating that the benefits of previous strategic alliance on post-acquisition performance diminish as cultural distance increases. When the cultural distance is zero (equivalent to a domestic market), the performance enhancing effect of previous strategic alliance on ROA change is 5.12% ($p < 0.05$) for the full sample, 3.63% ($p < 0.01$) for One-to-One, 5.41% ($p < 0.01$) for Kernel, and 5.61% ($p < 0.01$) for CEM. Furthermore, the benefit falls by 1.37% ($p < 0.05$), 1.56% ($p < 0.01$), 1.61% ($p < 0.05$), and 1.77% ($p < 0.01$) respectively for each unit of cultural distance added. According to our estimation, the benefits of a pre-acquisition alliance completely wash away when the cultural distance reaches 3.73, 2.32, 3.35, and 3.17, respectively. Overall, these results strongly support H2, indicating that the effect of previous strategic alliance on post-acquisition performance diminishes as cultural distance increases.

5.6. Robustness test

In addition to the main analysis and the three matching strategies, we perform two robustness tests. First, we extended the measurement period for ROA change to cover four years (t-2 ~ t+2) instead of three (t-1 ~ t+2). The results obtained using this alternative measure are qualitatively consitent with those reported in Tables.[3]

Second, we examined the effect of previous strategic alliance separately for the four groups described in Table 1: market familiarity (β_1), country familiarity only (β_2), below median cultural familiarity (β_3), and above median cultural familiarity (β_4). This analysis allowed us to better assess whether familiarity acts as a prerequisite for learning (as suggested by relational learning) or if unfamiliarity provides greater learning potential (as advocated by organizational learning). If the relational learning approach is correct, we would expect the intensity of the effect of previous strategic alliance to increase with the level of familiarity ($\beta_1 > \beta_2 > \beta_3 > \beta_4$). Conversely, if the organizational learning premises hold true, we would expect the intensity of the effect to decrease with the level of familiarity ($\beta_1 <$

[3] Results mentioned in the text but not reported in tables are available from the authors upon request.

Table 6
Examining the moderation role of Cultural familiarity (H2).

	(1)	(2)	(3)	(4)
	Full sample	One-to-One	Kernel	CEM
PSA (Previous Strategic Alliance)	5.1205**	3.6374***	5.4072***	5.6167***
	(2.0043)	(1.3621)	(2.0234)	(1.8043)
	0.0109	*0.0080*	*0.0077*	*0.0020*
PSA*Cultural distance	−1.3708**	−1.5660***	−1.6150**	−1.7705***
	(0.6340)	(0.5678)	(0.6395)	(0.6442)
	0.0310	*0.0062*	*0.0118*	*0.0063*
Cultural distance	0.3082	0.6041**	0.4926	0.6535**
	(0.3935)	(0.2608)	(0.3629)	(0.3169)
	0.4339	*0.0212*	*0.1751*	*0.0400*
#Workers/1000	−0.0074	−0.0029	−0.0078	−0.0021
	(0.0061)	(0.0044)	(0.0076)	(0.0053)
	0.2248	*0.5146*	*0.3047*	*0.6982*
Financial Crisis Period	−2.3613	0.1059	−2.6208	0.4388
	(1.9314)	(0.9126)	(1.8807)	(1.3263)
	0.2219	*0.9077*	*0.1639*	*0.7410*
Comprehensive alliance	−1.9175	−0.8570	−1.5779	−1.7056
	(1.2559)	(0.8115)	(1.1685)	(1.3731)
	0.1273	*0.2917*	*0.1774*	*0.2151*
Acquirer experience	2.7368	−0.2036	3.4079	0.1936
	(2.0883)	(0.6497)	(2.6974)	(1.1487)
	0.1905	*0.7542*	*0.2069*	*0.8662*
High-tech target	1.6196	−0.5968	1.3195	−3.7912**
	(1.5888)	(1.0299)	(1.8523)	(1.7627)
	0.3084	*0.5627*	*0.4765*	*0.0322*
Constant	1.7180	−5.2758**	0.6898	−8.5002*
	(3.3632)	(2.6214)	(3.9206)	(4.6261)
	0.6097	0.0450	0.8604	0.0670
Observations	712	364	706	383
R-squared	0.183	0.178	0.260	0.118
Industry dummies	YES	YES	YES	YES
Country dummies	YES	YES	YES	YES
Public company dummy	YES	YES	YES	YES

Robust standard errors in parentheses. P-values in *italics*.***p < 0.01, **p < 0.05, *p < 0.1. Country, industry, and public dummies refer to the acquirer firm.

$\beta_2 < \beta_3 < \beta_4$). By examining the effects separately for each group, we can gain insights into the relationship between familiarity and the impact of previous strategic alliances. This analysis will help us discern whether familiarity or unfamiliarity plays a greater role in the learning potential derived from previous strategic alliances.

The results of our analysis are reported in Table 7. We find that the performance enhancing effect of previous strategic alliance is statistically significant only for domestic M&As ($p < 0.05$). More importantly, our findings also demonstrate that the effect is strongest for the most familiar environment (market familiarity) and gradually diminishes with the level of familiarity ($\beta_1 > \beta_2 > \beta_3 > \beta_4$). This suggests that the intensity of the previous strategic alliance effect is greatest when the acquiring and acquired firms operate in the same industry, indicating the importance of market familiarity in driving performance improvements. As the level of familiarity decreases, the impact of previous strategic alliances becomes less pronounced. These findings support the relational learning perspective, whereby familiarity acts as a prerequisite for effective learning and performance enhancement through strategic alliances.

Combined with the descriptive evidence reported in Table 1, we find it noteworthy to highlight the following observations. While acquirer's managers may expect little learning potential in strategic alliances with the same industry and country targets (only 17% of these M&As are preceded by a strategic alliance, see Table 1), our analysis reveals that these contexts actually exhibit the greatest realized learning outcomes. Specifically, we observe a statistically significant increase in ROA ranging from 5% to 9% (depending on the specification, all $p < 0.05$). On the contrary, while acquirer managers may expect substantial learning potential in cross-border alliances (39% of these M&As are preceded by a strategic alliance, see Table 1), we observe that this is, in fact, the context with the lowest realized learning outcomes (between 0% and 2% ROA change depending on specification and degree of cultural familiarity, all $p > 0.1$).

6. Discussion & conclusion

Prior research suggests that pre-acquisition alliances have a positive impact on post-acquisition performance by providing greater opportunities for evaluating acquisition targets (Al-Laham et al., 2010; He et al., 2020; Porrini, 2004) compared to arms-length formal pre-acquisition evaluation (Cuypers et al., 2017; Gomes et al., 2020) and due diligence processes (Angwin, 2001). However, the present study reveals that this relationship is more nuanced than previously suggested. While confirming the notion that pre-acquisition alliances serve as a learning mechanism, the findings demonstrate that this effect is influenced by contextual factors.

Table 7
Confirming the decreasing effect of PSA by the level of familiarity (robustness).

	(1)	(2)	(3)	(4)
	Full sample	One-to-One	Kernel	CEM
PSA*Market familiarity (β_1)	9.2607**	5.0927**	9.3078**	6.5836**
	(4.4790)	(2.1772)	(4.2324)	(2.7491)
	0.0391	*0.0200*	*0.0282*	*0.0172*
PSA*Only country familiarity (β_2)	3.3498**	2.3784**	3.1128**	4.4547***
	(1.3656)	(1.0963)	(1.2181)	(1.7162)
	0.0144	*0.0308*	*0.0108*	*0.0099*
PSA* CD (below median) (β_3)	1.9588	0.7414	1.7618	2.9720
	(1.4827)	(1.4216)	(1.6327)	(2.0591)
	0.1869	*0.6024*	*0.2810*	*0.1499*
PSA* CD (above median) (β_4)	1.6095	−0.3152	1.5827	1.2987
	(1.1860)	(0.7669)	(1.3442)	(0.9196)
	0.1752	*0.6814*	*0.2395*	*0.1588*
#Workers/1000	−0.0063	−0.0031	−0.0080	−0.0023
	(0.0059)	(0.0046)	(0.0080)	(0.0049)
	0.2866	*0.5023*	*0.3209*	*0.6330*
Financial Crisis Period	−2.4275	0.0806	−2.7120	0.2918
	(1.9447)	(0.8958)	(1.8957)	(1.3068)
	0.2124	*0.9284*	*0.1530*	*0.8234*
Comprehensive alliance	−1.7475	−0.7665	−1.4219	−1.5096
	(1.2254)	(0.7792)	(1.1608)	(1.3724)
	0.1543	−0.5248	3.0413	−0.2991
Acquirer experience	2.5009	(0.7213)	(2.5494)	(1.1274)
	(1.9795)	*0.4674*	*0.2333*	*0.7910*
	0.2069	*0.3260*	*0.2210*	*0.2722*
High-tech target	1.8227	−0.5667	1.6652	−3.6328**
	(1.6171)	(0.9541)	(1.9120)	(1.7047)
	0.2601	*0.5530*	*0.3841*	*0.0338*
Constant	1.7007	−4.8606*	0.7653	−8.1951*
	(3.2765)	(2.6096)	(3.8963)	(4.7783)
	0.6039	*0.0635*	*0.8443*	*0.0873*
Observations	712	364	706	383
R-squared	0.186	0.189	0.266	0.116
Industry dummies	YES	YES	YES	YES
Country dummies	YES	YES	YES	YES
Public company dummy	YES	YES	YES	YES

Robust standard errors in parentheses. P-values in *italics*.***p < 0.01, **p < 0.05, *p < 0.1. Country, industry, and public dummies refer to the acquirer firm. PSA stands for Previous Strategic Alliance. CD stands for cultural distance. As explained in the text β_v refers to the order of familiarity, being the largest when $v = 1$ and the smallest when $v = 4$.

The analysis, based on a unique combined dataset from SDC Platinum, EIKON, and ORBIS covering 712 acquisitions, highlights that the positive effect of a pre-acquisition alliance on post-acquisition performance depends on the level of cultural and market familiarity with the partner's context. In line with our hypotheses, not all pre-acquisition alliances exert the same effect on acquisition performance. Specifically, strategic alliances facilitate acquirers *to learn about* the target firm by establishing psychological contracts that enhance mutual understanding between the companies. This type of learning is particularly achievable in familiar contexts in which formal organizational communication is complemented by more profound personal and emotional connections. These findings point to two important theoretical contributions for different streams of the M&A literature.

First, our study sheds light on how learning should be conceptualized in pre-acquisition strategic alliances. This conceptualization has two dimensions. First, our study reveals that learning processes during the pre-acquisition stages are influenced by external boundaries. Without the necessary prerequisites, learning is severely restricted or may not occur at all. Drawing on psychological contract theory (Rousseau, 1990; Thomas et al., 2003) we establish that in order to learn in pre-acquisition alliances it is essential to have shared beliefs concerning mutual obligations. This process goes beyond written contracts and is thus rooted in social cognition and social exchange motives. Second, we extend the notion of learning *from* as opposed to *about* the partner. This distinction was initially proposed and examined in the context of R&D alliances between pharmaceutical and biotechnology firms, which revealed that learning about the partner (or partner-specific experience) in regular alliances has a limited impact on joint project performance (Hoang and Rothaermel, 2005). In contrast, our findings indicate that learning about the partner is paramount in the context of pre-acquisition alliances. Taken together, the evidence seems to suggest that the theoretical lenses used to analyze strategic alliances may be contingent on expected outcome. In most cases alliances are designed to maximize joint project performance (Ragozzino and Moschieri, 2014), making organizational learning models that focus on resources (see Das and Teng, 2000) and knowledge (Grant and Baden-Fuller, 2004) suitable, as they emphasize technical learning or learning from (or with) the partner. However, in fewer cases – those in which alliances serve as a pre-acquisition stage (as in our study) – relational learning models that center on the psychological contract become more important, as they focus on learning about the partner and enhance the acquisition process. We recognize that

this potential for different theoretical and analytical frameworks for strategic alliances, depending on the expected outcome (i.e., joint project or post-acquisition performance), opens up an important avenue for further exploration in future research.

Second, the study provides valuable insights into the relationship between M&A and strategic alliances literatures, addressing the need for dialogue and integration between these two bodies of knowledge (). We contribute to this stream of research by investigating this relationship while considering important contextual factors. Previous research investigating the performance of acquisitions preceded by alliances has been limited to specific industries or single countries, thus providing findings pertaining to familiar contexts. Therefore, investigating the impact of cultural and market familiarity on this relationship is novel and of great value for a deeper understanding of the nuanced effects. Our study is the first to offer a comprehensive investigation of the relationship between the presence of a pre-acquisition alliance and post-acquisition performance in familiar and non-familiar contexts.

In addition to the theoretical contributions, our study advances the level of empirical rigor applied to analyze the relationship between pre-acquisition alliances and post-acquisition performance. We propose an empirical strategy that addresses endogeneity issues, specifically sample selection bias and confounding variables. While previous research used random control groups, we propose a series of matching techniques that ensure comparability between treatment and control groups. Our analyses incorporated both weighted and non-weighted matching techniques. As a result, this study is the first attempt to examine the endogeneity-corrected effect of a previous alliance with the target on acquisition performance.

Despite these merits, however, this study is not without its limitations, which open up opportunities for future research. First, our study is constrained by the use of secondary data, which prevent us from specifically assessing the exact interactions and personal networks, as well as the precise degree of psychological contracts and common ground generated in different familiarity settings. A mixed methods approach based on primary data collection would allow us to investigate the micro-foundational relational aspects during previous alliances and understand their role in facilitating or hindering relational learning and the subsequent impact of acquisitions. For instance, qualitative work could explore the micro-foundational mechanisms that contribute to learning about the partner. This could be complemented by the development of a familiarity scale through a survey-based method. Second, apart from the variable "comprehensive alliance", our work does not control for the level of interaction between acquirer and target managers. Future research could leverage big data methods to precisely measure the interactions between managers virtually (e.g., through social networks, see Heavey et al., 2020) and physically (e.g. through mobile geolocations, see Testoni et al., 2022). Last, while the ROA change is commonly used in the literature to assess acquisition performance in general (Haleblian and Finkelstein, 1999), and more specifically the impact of pre-acquisition alliances on post-acquisition performance (e.g., Porrini, 2004), it is important to note that this variable alone does not capture all the learning outcomes, including innovation outcomes, obtained after the acquisition. Therefore, it is important for future research to investigate whether our findings remain consistent when using other acquisition performance measurements. This approach will enable a more comprehensive understanding of the effects of pre-acquisition alliances on various dimensions of organizational performance.

This study also highlights several important practical implications. Most acquiring companies prioritize time and efficiency factors when evaluating acquisition opportunities in order to outperform their competitors. However, focusing on only efficiency may not always be the best approach. This narrow perspective can lead to adverse reactions and ultimately manifest during the implementation stage, thereby jeopardizing the acquisition performance. Given that M&As are longitudinal processes (Shi et al., 2012), it is insufficient to start sharing resources, cooperating, learning, and integrating only after the acquisition without prior knowledge. Therefore, establishing a collaborative relationship with the right partner before acquisition creates opportunities for knowledge sharing, learning, and achieving synergies (Gomes-Casseres et al., 2006; Porrini, 2004). By doing so, firms gain a head start.

Our study specifically highlights the benefits of relational learning derived from a previous alliance. In addition to obtaining first-hand information through organizational learning, such as strategic fit and financial aspects, relationship learning helps build interpersonal networks, generate psychological contracts and common grounds between interorganizational individuals, and ultimately benefit pre- and post-acquisition performance. This learning about the partner differs from the learning obtained through consulting companies (e.g., due diligence) and can be specifically valuable for facilitating future inter-organization integration, thereby boosting post-acquisition performance.

Furthermore, among the few companies that consider establishing a strategic alliance relationship with the target, most decision-makers believe that there is more potential to learn from an unfamiliar alliance. However, our empirical study shows the opposite result by demonstrating that familiar contexts actually add greater value to the pre-acquisition alliances compared to unfamiliar contexts. Understanding the moderating role of familiarity in the partnership can assist decision-makers to identify a more appropriate partner to establish alliance relationships with and transfer the benefit to subsequent acquisitions.

In conclusion, by contextualizing acquisitions, this study has provided important insights necessary to advance our understanding of the underlying value of pre-acquisition alliances, that is, the consideration of market and cultural familiarity. The findings should motivate scholars to critically examine theories as they currently exist and further enhance our understanding of the observed but not fully explained relationship between pre-acquisition alliance and post-acquisition performance. Therefore, this study emphasizes that when considering undertaking a pre-acquisition alliance with a target, acquiring firms should prioritize learning about the partner rather than learning from the partner.

Authorship statement

We declare that this manuscript is original, has not been published before and is not currently being considered for publication elsewhere.

We confirm that all persons who meet authorship criteria are listed as authors, and all authors certify that they have participated

sufficiently in the work to take public responsibility for the content, including participation in the concept, design, analysis, writing, or revision of the manuscript.

The individual authors contributions to the paper are as follows:

Y. Zhou: Conceptualization, Methodology, Acquisition of Data, Data Curation, Drafting the manuscript.

E. Gomes: Conceptualization, Methodology, Supervision, Review & Editing.

F. Vendrell-Herrero: Conceptualization, Methodology, Supervision, Review & Editing.

Data availability

The data is proprietary and cannot be shared directly by the authors but can be accessed through data providers. SDC Platinum is owned by Thomson Reuters, and Orbis is owned by Bureau Van Dijk.

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