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External Sources of Innovative capabilities: Selecting Merger & Acquisition or Strategic Alliance

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Management summary

Van der Valk wants to expand their range of services and activities with health care and sports facilities to increase their value proposition for customers. In order to realise this value creation and strategic ambition, Van der Valk has to attract external expertise and resources since they have a lack of expertise and resources regarding healthcare activities within their internal organisation. It is therefore necessary to gain the resources and expertise in the field of health care and sports externally via collaboration or consolidation with external parties in order to create a better value proposition for customers.

There are different mechanisms that enable the consolidation of and collaboration with external parties in order to gain expertise and resources in the field of health care and sports. These mechanisms are also referred to as external sources of innovative competencies. The external sources of innovative competencies such as merger, acquisition and strategic alliances each have different characteristics in terms of trust, control and risk. This literature study concentrates especially on recommending a suitable external source of innovative competencies for expanding the range of activities and thereby increasing the value proposition of a Dutch catering company that want to become active in health care and sports facilities.

A mechanism can be labelled as a merger or acquisition when two companies who were once separated are combined into one individual company. Within the literature there is hardly a distinction between the terms 'merger' and 'acquisition' and both terms are often combined in the abbreviation 'M&A'. Therefore, this research makes no distinction in literature between the terms 'mergers' and 'acquisitions' and elaborates on both topics in the same chapter. The main motives to participate in mergers and acquisitions can be divided into four categories. These categories are: strategic motives, financial motives, managerial motives and acquisition wave motives. Certain types of risk emerge when participating in mergers and acquisitions. In particular, the financial risk and human resource management (HRM) risk is of interest. Since financial risk is the most important risk that occurs when engaging in mergers and acquisitions, it is important to control this type of risk. In order to do so, there are various financial control measures for each of the three phases in which financial risk occurs.

Strategic alliances can be formulated as collaborations between firms who share a common strategy in order to achieve mutual benefit for each firm involved. When examining the motives for participating in strategic alliances, several categories can be distinguished. These categories are: access alliances, complementary alliances, collusive alliances and scale alliances. Furthermore, when examining the motives from an international perspective, four theoretical perspectives emerge: strategic behaviour approach, organisational theory, transaction cost theory and resource dependency theory. When examining risk within the context of strategic alliances, two different types of risk can be distinguished. These two types of risk are: relation risk and performance risk. Within this research and the context of strategic alliances, trust is defined as "*the positive expectations regarding the other in a risky situation".* In addition to this definition, the researchers also defined the related concept of goodwill trust. Resource commitment within the context of strategic alliances is defined as all the resources that are committed to a specific relationship or partnership, such as a strategic alliance.

Taking all the above information into account, one can conclude that engaging in a strategic alliance is a viable strategy to expand activities and increase the value proposition of Van der Valk Hotels & Restaurants. The demand of the lodging firm for external expertise and resources regarding health care activities fits well with the 'access alliances' motive. This motive focuses primarily on gaining access to the capabilities of a partner firm in order provide entrance to new markets and knowledge. Furthermore, by choosing for a strategic alliance instead of a merger or acquisition, the firm will experience less financial risk. The firm should however take the relational risk into account when engaging in a strategic alliance. By focusing on sufficient capabilities, skills and integrity of a partner firm within a strategic alliance, Van der Valk should be able to maintain goodwill trust and competence trust. By obtaining a position within a network of direct and indirect partnerships, the firm will be able to gain access to knowledge and information that helps to create a better value proposition for customers.

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1. Introduction

Van der Valk Hotel & Restaurants is a Dutch catering company, founded in 1939 by Martien van der Valk. Nowadays, Van der Valk is a family business with 98 separate hotels and motels. All of these establishments are fully owned and in charge of a Van der Valk descendant. The legal status of the Van de Valk hotel and motel chain has been changed to a franchise organisation after an expansion and accompanying reorganisation since the beginning of this millennium. The Van der Valk formula is the largest catering company in the Netherlands and is well known by their hospitality and entrepreneurial spirit.

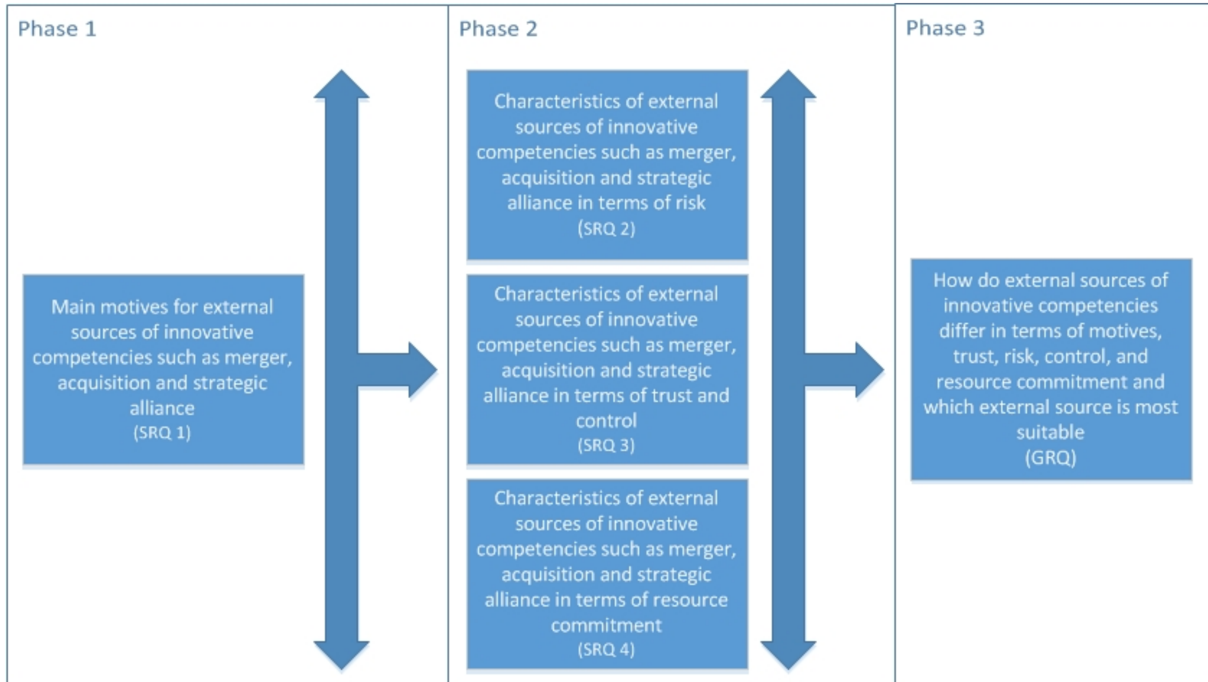
Van der Valk wants to expand their range of services and activities with health care and sports facilities to increase their value proposition for customers. The expansion of services includes the realisation of a so-called 'health care hotel' with activities such as fitness centres, a swimming pool and physiotherapy. In order to realise this value creation and strategic ambition, Van der Valk has to attract external expertise and resources since they have a lack of expertise and resources regarding healthcare activities within their internal organisation. It is therefore necessary to gain the resources and expertise in the field of health care and sports externally via collaboration or consolidation with external parties in order to create a better value proposition for customers.

1.1 Research objectives

There are different mechanisms that enable the consolidation of and collaboration with external parties in order to gain expertise and resources in the field of health care and sports. These mechanisms are also referred to as external sources of innovative competencies (Hagedoorn & Duysters, 2002). This literature study focuses on providing insights into these external sources of innovative capabilities. There are many examples of mechanisms that can be labelled as external sources of innovative capabilities. E.g., mergers, acquisitions, strategic alliances, joint ventures, publicly funded partnerships and licensing (Man & Duyster, 2005). These external sources of innovative capabilities enable innovation, diversification and internationalisation (Johnson et al., 2015). In contrast to these external sources of innovative competencies for consolidation and collaboration, an organisation can also rely on its own expertise and resources; this is called organic growth or development.

The external sources of innovative competencies such as merger, acquisition and strategic alliances each have different characteristics in terms of trust, control and risk (Das & Teng, 2001). Furthermore, there are different motives from a firm's perspective to engage in mergers, acquisitions or strategic alliances. Therefore, companies have different preferences in selecting external sources of innovative capabilities. This literature study focuses on three general mechanisms that can be labelled as vehicles for external sources, namely: mergers, acquisitions and strategic alliances. The main reason for selecting these mechanisms is the large amount of literature available and devoted to mergers, acquisitions and strategic alliances. This literature study concentrates especially on recommending a suitable external source of innovative competencies for expanding the range of activities and thereby increasing the value proposition of a Dutch catering company that want to become active in health care and sports facilities.

1.2 Research Framework



1.3 Research Questions

The following general research question will be answered within this literature study: *"How do external sources of innovative competencies differ in terms of motives, risk, trust, control, and resource commitment and which external source is most suitable for the expansion of activities and increasing the value proposition of companies that want to become active in health care and sports facilities?"* The following sub-questions were examined within this literature study:

1. *What are the main motives for participating in external sources of innovative competencies such as mergers, acquisitions and strategic alliances?*
2. *What are the characteristics of external sources of innovative competencies such as merger, acquisition and strategic alliances in terms of risk?*
3. *What are the characteristics of external sources of innovative competencies such as merger, acquisition and strategic alliances in terms of trust and control?*
4. *What are the characteristics of external sources of innovative competencies such as merger, acquisition and strategic alliances in terms of resource commitment?*

1.4 Research Strategy

This research focuses on providing an overview of the literature concerning external sources of innovative competencies. This study can be best described as a desk research as it focuses on the use of existing material and resources of other researchers. Furthermore, this desk research can be specified as a literature review. A literature review focuses entirely on the study of the existing literature within a determined field of knowledge (Verschuren & Doorewaard, 2007).

This research examines three specific external sources of innovative competencies, namely: mergers, acquisitions and strategic alliances. Each of these external sources of innovative competencies has been further examined based on the following characteristics: trust, risk, control and resource commitment. In order to gain a better understanding of external sources of innovative competencies, it is important to elaborate on the motivations behind these mechanisms of external innovative competencies. Each chapter addresses the different motives behind mergers, acquisitions and strategic alliances. Within the literature there is hardly a distinction between the terms 'merger' and 'acquisition' and both terms are often combined in the abbreviation 'M&A'. Therefore, this research makes no distinction in literature between the terms 'mergers' and 'acquisitions' and elaborates on both topics in the same chapter.

2. Mergers and acquisitions

A mechanism can be labelled as a merger or acquisition when two companies who were once separated are combined into one individual company. Mergers and acquisitions can occur with two companies of equal size, but also if one company is obtaining the ownership of a smaller company, often referred to as a target company (Hagedoorn & Duysters, 2002). To be more precise, acquisitions are accomplished by obtaining the majority of shares of a so-called target company. Acquisitions can be labelled as friendly or hostile. An acquisition is labelled as friendly when the management of the target firm recommends the offer of the acquiring firm to its shareholders. In contrast to a friendly acquisition, a hostile acquisition occurs when the management of the target firm does not recommend or support the offer of the acquiring firm to its shareholders. In a hostile acquisition scenario, the acquiring firm will directly target the individual shareholders of the target firm for the ownership of their shares. In contrast to acquisitions, mergers arise when two separate firms combine into a new firm with its own individual identity (Johnson et al., 2015). As mentioned before, within the literature there is hardly a distinction between the terms 'merger' and 'acquisition' and both terms are often combined in the abbreviation 'M&A'. Therefore, this research makes no distinction in literature between the terms 'mergers' and 'acquisitions' and elaborates on both topics in the same chapter.

2.1 Motives for mergers and acquisitions

A firm can have different motives to participate in mergers or acquisitions. Eight important motives divided into four categories are distinguished by (Johnson et al., 2015). The three categories of these motives are: strategic motives, financial motives, managerial motives and acquisition wave motives.

2.1.1 Strategic motives

The strategic motives to participate in mergers or acquisitions are often related to enhancing the competitive advantage of the firm. A competitive advantage can be defined as "achieving above-average performance in an industry" (Porter, 1985). A firm has to adopt a generic strategy in order to achieve a competitive advantage. There are three different generic strategies: cost leadership, differentiation and focus. The cost leadership strategy focuses on becoming a low-cost producer within an industry. The differentiation strategy focuses on delivering a unique value to customers compared to other competitors within the same industry. Lastly the focus strategy consists of serving a narrow segment of a market by offering tailored products and services (Porter, 1985). The following motives to participate in mergers and acquisitions are labelled as strategic motives.

Consolidation: mergers and acquisitions can be used in order to consolidate two competitors within a market or industry. A consolidation can have different beneficial effects. Firstly, consolidation increases the market power because it reduces the number of competitors within an industry. Consolidation also increases efficiency by sharing resources and reducing redundant capacity and resources. And finally, consolidation also increases the bargaining power with suppliers and enables economies of scale advantages, which leads to lower costs. These beneficial effects help consolidated firms to defend themselves against current competitors, potential market entrants and substitutes (Smit & Moraitis, 2009).

Capabilities: a motive for companies to participate in mergers and acquisitions is to increase the capabilities of a company. These capabilities concern the specific knowledge en competences that is needed for the development and introduction phase of a new product or process (Hagedoorn & Duysters, 2002). This motive is used e.g. when companies decide to acquire start-up companies in order to obtain new technologies for research and development purposes.

Extension: mergers and acquisitions can be used to extend a firm's presence in existing markets, products or services and geographical areas. The extension motive for mergers and acquisitions can also be used to access entirely new markets, products or services and geographical areas. In this example a merger or acquisition is used to support a market entry strategy (Johnson et al., 2015).

2.1.2 Financial motives

The financial motives to participate in mergers or acquisitions are related to optimising the use of financial resources within the firm, rather than improving the actual operations within a market. The following motives to participate in mergers and acquisitions are labelled as financial motives.

Tax efficiency: some firms are able to benefit from tax advantages by merging or acquiring another firm. These potential tax advantages are dependent on different tax regimes between countries or industries. An example of such a tax advantages is that tax losses or profits may be transferrable within a firm, which could result in a tax advantage. Tax efficiency is a common motive for mergers and acquisitions nowadays and in the past. In 1997, different tax loopholes in combination with an economic bubble caused a major increase in mergers and acquisitions within the lodging industry. In that specific year, 420 deals were closed with a total target value of 64 billion dollars (Canina et al., 2010).

Asset stripping or unbundling: some firms have underlying assets which are worth more separately compared to the price of the firm as a whole. These firms are targets for other acquiring firms who are very effective at spotting these opportunities. In such a case, the target firm will be obtained by the acquiring firm, who will unbundle and sell the different business units of the target firm to various buyers. This process is called asset stripping or unbundling. The main goal of the unbundling process for the acquiring firm is that the financial returns of the individual business units exceed the price that was originally paid for the entire acquisition. The execution of asset stripping or unbundling may in some respects be a sign of market imperfection since the market is unable to value the assets at its true value. In contrast to the sign of market imperfection, asset stripping can also be a sign that the firm is not managing their assets effectively. In such a scenario, asset stripping or unbundling enables assets to be managed more effectively by another firm (Lall, 2002).

Financial efficiency: merging or acquiring another firm may be efficient in terms of financial performance. This might be the case when bringing a firm with a strong balance sheet (many liquid assets) together with another firm that has a relatively weak balance sheet (many debts). Both firms could potentially gain a benefit from merging or acquisition. E.g., the firm with a strong balance sheet might be able to acquire the firm with a weak balance sheet at an attractive price. On the other hand, the firm with a weak balance sheet can benefit from such an acquisition because the firm will be able to save on interest payments by paying off some debts with the financial assets from the acquiring firm with a strong balance sheet (Johnson et al., 2015).

2.1.3 Managerial motives

The strategic and financial motives for mergers and acquisitions mentioned above serve the shareholders' interests in general. In some cases, mergers and acquisitions may not serve shareholders' interests but only serve managers' interests. Therefore, these self-serving or hubristic motives for managers' interests are called managerial motives.

Mergers and acquisitions can satisfy personal ambition of a manager in three different ways. Firstly, the financial compensation of a manager can be tied to the short-term growth or share-price of a firm. The short-term growth and share-price of a firm might be more easily increased by participating in acquisitions with more risk compared to a more stable long-term organic growth. Secondly, the participation in large acquisitions attracts media attention which leads to opportunities for a manager to boost personal reputation by appearances and interviews. Hubris also plays an important role in this aspect since managers who are infected by hubris tend to overpay for target firms (Roll, 1986). According to (Moellera et al., 2004), larger firms have a higher percentage of hubristic managers and are more likely to overpay by granting higher premiums. These hubristic managers also participate in mergers and acquisitions when there are no expectations of synergy at all (Nguyen et al., 2012). Thirdly, acquisitions cause changes within the structure of an organisation which provides opportunities for managers to give befriended colleagues more influence and responsibilities in order to create loyalty (Johnson et al., 2015).

2.1.4 Acquisition wave motives

Mergers and acquisitions behave in waves of short periods with intense merger and acquisition activities. According to (Stearns & Allan, 1996), mergers and acquisitions have influenced the economic life of the United States since the 19th century. Over the last 100 years, the United States has experienced four major waves of mergers and acquisition. These waves occurred at the turn of the century, the 1920s, the 1960s and the 1980s. More than 50 percent of the total merger and acquisition activities in the United States occurred during one of these four major waves of mergers and acquisitions (McNamara et al., 2008). The 1990s causes a lot of political, economical and business changes that had a large impact on mergers and acquisitions in Europe as well. These changes started with the formal integration of the European Union (EU) and the European Monetary System in 1992. A "euro currency zone" participating 11 European countries was introduced in January 1999. These changes and other events such as the introduction of the European Central Bank, open-border trading policies and standardisation of EU accounting practices and corporate reporting caused growth and opportunities in mergers for all firms that were located in the EU. In 1999, the year of the "euro currency zone" introduction, merger and acquisition deals involving European firms had a total value of $1.5 billion. As a percentage of stock market capitalisation, firms in the EU had a higher volume of deals compared to firms in the United States (Goldberg et al., 2003). The total value of global merger and acquisition transfers was $2.9 trillion in 2005. This was a 38% growth compared to the total value of global mergers and acquisition transfers in 2004 (Draper, 2005).

The occurrence of acquisitions within markets is highly cyclical which results in booms in the occurrence of acquisitions followed by slumps of acquisitions. These booms in the occurrence of acquisitions is driven by high valuation of bidder stock and economic shocks (Garfinkel & Hankins, 2011). Managers can become afraid that their firm will become the target of an acquisition in case that they do not acquire themselves. Also shareholders may express fear that their firm is left behind when potential target firms are acquired by competitors. The risk of participating in mergers and acquisitions for bandwagon effects is that the acquiring firm does not necessarily need the target firm and therefore pays too much to acquire the target firm (Johnson et al., 2015).

2.1.5 Summary motives

This sub-paragraph describes a summary of the paragraph above and provides an answer to specific research question 1.

SRQ 1. *What are the main motives for participating in external sources of innovative competencies such as mergers, acquisitions and strategic alliances?*

The main motives to participate in mergers and acquisitions can be divided into four categories. These categories are: strategic motives, financial motives, managerial motives and acquisition wave motives. Strategic motives are often related to enhancing the competitive advantage of the firm by consolidating, increasing capabilities or extending the firm's presence in new or existing markets, products or geographical areas. Financial motives are related to optimising the use of financial resources within a firm by benefiting form tax advantages, asset stripping and unbundling or increasing the financial performance. Managerial motives include all self-serving or hubristic motives that only serve managers' interests in contrast to shareholders' interests. Acquisition wave motives include the occurrence of booms and slumps of acquisitions within highly cyclical markets and the presence of bandwagon effects.

2.2 RISK

When dealing with mergers and acquisitions, different potential types of risk emerge. There are two important types of risk that are specifically important when operating in mergers and acquisitions. These risks are financial risk and human resource management risk. Both types of risk are further examined within this paragraph.

2.2.1 Financial risk

The first and most important potential risk that may arise when engaging in mergers and acquisitions is financial risk (Deng, 2014). There are two different factors that have a great influence on financial risks within mergers and acquisitions. These factors are: uncertainty and information asymmetries. The uncertainty factor includes external changes in: exchange rates, interest rates, economical fluctuations and governmental economical policies. Furthermore, the uncertainty factor also includes changes in the financial position of the acquiring firm, financing plan and the business environment of the firms involved within a merger or acquisition. Changes within the uncertainty factor mentioned above will result in a financial deviation between the expected or projected results compared to the actual results of a merger or acquisition. The second factor that has a great influence on mergers and acquisitions is information asymmetries. When dealing with a potential merger or acquisition, information can be asymmetric. Firms are not always transparent regarding their performance and financial status. Furthermore, it may occur that essential information regarding the target firm is non-open which could result in a poor understanding of the actual performance. Therefore, it is important to recognise information asymmetry. In order to find out if managers are able to recognise information asymmetry, (Dierickx & Koza, 1991) conducted a test with two groups of 40 senior executives that had first hand experience with mergers and acquisitions. The results were striking since more than half of the senior executives failed to recognise the importance of informational asymmetry.

The financial risks of mergers and acquisitions can be characterised into three different phases: financial risk before mergers and acquisitions, financial risk during the course of mergers and acquisitions and financial risk after mergers and acquisitions. The financial risk that occurs before establishing a merger or acquisition is the risk of value assessment of the target firm. This specific risk especially occurs when the target firm is deliberately not transparent about their financial performances. In case the target firm is deliberately not transparent about their financial performance in order to conceal weaknesses, the acquiring firm might overestimate the value of the target firm. Since a reasonable assessment forms the basis of a successful merger or acquisition (Hassan et al., 2015), this is an important risk to be reckoned with. Another important element of the value assessment is the performance assessment of a target firm. There are three factors that have a great influence on the performance of a firm after acquisition. These factors are: firm size, type of purchase and ownership structure (Kiessling et al., 2008). The firm size can have an influence on acquisition performance when there is a size difference between the acquiring and the target firm (Kusewitt, 1985). When such a difference in size exists, an increase in organizational size occurs which causes complexity in planning, control, resource allocation and structural elaboration. The type of purchase describes the method that was used to purchase a target firm and fund an acquisition. The type of purchase is further addressed in this chapter below. The ownership structure deals with the type of control, e.g. publicly owned or privately owned (Kiessling et al., 2008). In case of a potential merger or acquisition, the acquiring firm will evaluate the target firm by using evaluation methods such as: liquidation ratio, price-earnings ratio, discounted cash flow and the book value. The adoption of one of these different evaluation methods can have an influence on the value assessment of a firm (Hassan et al., 2015).

The financial risk that occurs during the course of mergers and acquisitions is the financing and payment risk. The financing risk arises from the significant amount of capital that an acquiring firm often needs in order to finance an acquisition or merger. One can argue that the amount of capital that is reserved within a firm in order to finance a merger or acquisition, can be seen as a resource commitment. The capital that is used to finance mergers and acquisitions can be obtained by using the internal or external financing method. The internal financing method retrieves capital from retained funds of the firm. The advantage of the internal financing method are the low costs of financing since capital is already present within the firm. A disadvantage of the internal financing method is that most of the firms' cash flows would tie up because of the large amount of capital that is needed to finance acquisitions and mergers. This causes firms to have more trouble in responding to changes in the external environment which could lead to fail other financings or fail paying short-term debts. Some firms won't even have sufficient capital to finance acquisitions or mergers. Firms that have insufficient capital will have to concentrate on the external financing method. This method includes the financing

of debt, equity and hybrid security. Debt financing is done by loaning from financial institutions such as banks or by issuing bonds in order to obtain capital. Firms can also issue warrants and shares; this is called equity financing. The third and final method of the external financing method is hybrid security financing. This specific method is focusing on long-term financing and often applies to both debt and equity financing. Examples of hybrid security financing are issuing convertible stock and convertible bonds. The other risk that occurs during the course of mergers and acquisitions next to financing risk is payment risk. The payment risk arises when the acquiring firm fulfils the payment obligation towards the target firm. There are several methods that acquiring firms can apply in order to comply with the payment obligation towards the target firm. Examples are: cash payment, equity payment and leverage payment. Cash payment is the quickest way to fulfil payment obligations. However, the downside of cash payment is that it is limited by the firms' available financial resources. Furthermore, cash payment can cause pressure on the firm's cash flow which might result in a slow response to changes in the external environment, as mentioned before. A firm can also use equity payment in order to avoid this pressure on the firm's cash flow. Equity payment also allows equity owners to benefit from the results of the firm. The main disadvantage of equity payment is that current shareholders receive less income per share, because profit is shared among a larger amount of shareholders.

Integration risk is the financial risk that occurs after mergers and acquisitions. This specific risk occurs when there is a poor integration of organisational elements. Examples of organisational elements are technological resources and human resources. The specific human resources risk will be explained in more detail in the following subsection (Deng, 2014).

2.2.2 Human resource management risk

When entering specifically into mergers, the risk of unstable workforces often emerges. This risk arises mainly due to the uncertainties experienced by employees over job security in the future and possible changes in policies within a firm. The risk of an unstable workforce is also defined as human resource management (HRM) risk. In order to stabilise workforce and thereby minimize human resource management risk, there are three important factors that must be taken into account. These three factors are: job security, procedural fairness and communication (Bryson, 2003). Job security is the first and most crucial factor that can maximise stable workforce during the time of a merger. The uncertainty of future job security could potentially cause a lack of commitment and productivity due to uncertain prospects for employees. In order to increase the efficiency within a merger, job losses may occur. These job losses mainly occur, because mergers between different firms create synergy effects that causes some jobs to become redundant. Therefore, employees are not only concerned about job security, but also about how the organizational management is selecting these redundant jobs. These concerns about the procedure for selecting redundant jobs is defined as procedural fairness. The perception of procedural fairness determines the employee's attitudes towards a merger. The third and final factor is communication. This factor is particularly important in order to reduce uncertainty amongst employees. In addition, the communication factor can contribute to the employee's perception of procedural fairness. This can be achieved by facilitating a two-way communication between staff and employees in which both parties can share their thoughts, concerns and other relevant information. Research concluded that employees experience the changes in a merger as more fair when they can express their voice. The voice of employees has no impact on the perception of fairness when this voice is ignored by the staff (Bryson, 2003).

2.2.3 Summary risk

This sub-paragraph describes a summary of the paragraph above and provides an answer to specific research question 2.

SRQ 2. *What are the characteristics of external sources of innovative competencies such as merger, acquisition and strategic alliances in terms of risk?*

Certain types of risk emerge when participating in mergers and acquisitions. In particular, the financial risk and human resource management (HRM) risk is of interest when dealing with mergers and acquisitions. The financial risk in mergers and acquisitions is influenced by two factors, namely: uncertainty and information asymmetries. Furthermore, the financial risk itself can be characterised into three different phases: the financial risk before, during and after mergers and acquisitions. The financial risk in the phase before mergers and acquisitions is the risk of value assessment of the target firm. The financial risk that occurs in the phase during mergers and acquisitions is the financing and payment risk. Lastly, the financial risk that occurs in the phase after mergers and acquisitions is the integration risk. The human resource management risk includes the risk of unstable workforces that emerges when entering into mergers and acquisitions. This risk of unstable workforces arises due to uncertainties experienced by employees over future job securities and possible changes in firm policies.

2.3 TRUST AND CONTROL

As explained in the previous section, financial risk is the most important risk that occurs when engaging in mergers and acquisitions. It is therefore important to control the financial risk. As previously mentioned, there are several specific risks that arise in mergers and acquisitions depending on the phase of the process. These phases are: before, during and after mergers and acquisitions. In order to control the risks in these specific phases, there is also a distinction in the various financial control measures per phase (Liu, 2010).

In the first phase before engaging in mergers or acquisitions, firms can increase their control by focusing on the evaluation of the acquiring firm and the evaluation of the target firm. In order to establish a successful merger or acquisition, a reasonable assessment of the value of the target firm is required (Hassan et al., 2015). The assessment of the value of the target firm should focus on the financial position, market environment, management skills and expected profits of the target firm in order to obtain a correct assessment of the value. The evaluation of the acquiring firm mainly focuses on the financial position of the acquiring firm and the available capital to finance a merger or acquisition. Furthermore, the evaluation should take the current state of the market and economy into account and focus on rational considerations rather than ambition and politically driven considerations.

The second phase takes place during the event of a merger or acquisition. The control measures within the second phase focus on financial measures and the use of mixed payments to finance a merger or acquisition. These control measures can only be applied once the correct value of the target firm is determined in phase one. The financial measures of the acquiring firm consist of various financing channels that can be used to finance a merger or acquisition. Examples of financing channels are: debt financing, lever purchase financing, buyer financing and equity financing (Faccio & Masulis, 2005). Goal of the financial measures is to adjust the financial structure in order to minimise the capital cost. In addition to the financial measures, firms can also apply the mode of mixed payments to fund mergers and acquisitions. As mentioned in paragraph 2.2.1. financial risk, acquiring firms can use different methods in order to comply with the payment obligation towards the target firm. These methods are: cash payment, equity payment and leverage (debt) payment. The mode of mixed payments implies that firms use a combination of the methods mentioned above to fulfil the payment obligation towards the target firm. The optimal combination of payment methods is different for each specific case.

The final phase consists of financial control measures which are applied after engaging in mergers and acquisitions. These financial control measures within the final phase are: establishing a financial alarm management system and removing or separating enterprise divisions. A financial alarm management system concentrates on preventing the occurrence of a financial crisis of the firms involved in a merger or acquisition. A financial crisis is caused by financial risk and financial fluctuation which increases during the event of a merger or acquisition. "*The financial alarm management system of the enterprise of M&A is to take the financial risk and financial crisis induced by the financial management mistakes and the financial process fluctuation in the integrated term as the research object, and supervise them in order to ensure the good development of the management state of the enterprise, and identify, evaluate, predict, pre-control and continually remedy bad financial development tendency* (Liu, 2010)." Removing and separating enterprise divisions are conducted in order to minimise financial risk and organise sub-company activities. These sub-company activities are e.g. the lending of production lines, fixed assets or departments to other firms at a cost. Removing enterprise divisions aims to remove these sub-company activities in the event that these activities threaten the financial status of a merger or acquisition. The separation of enterprise divisions is mainly conducted for the same motives as removing enterprise divisions. Only the separation of enterprise

divisions focuses on separating the sub-company and its activities in terms of organisational and legal grounds by distributing the shares of the sub-company to the shareholders of the acquiring firm (Liu, 2010).

2.3.1 Summary trust and control

This sub-paragraph describes a summary of the paragraph above and provides an answer to specific research question 3.

SRQ 3. *What are the characteristics of external sources of innovative competencies such as merger, acquisition and strategic alliances in terms of trust and control?*

Since financial risk is the most important risk that occurs when engaging in mergers and acquisitions, it is important to control this type of risk. In order to do so, there are various financial control measures for each of the three phases in which financial risk occurs. In the first phase before engaging in mergers and acquisitions, the level of control can be increased by focusing on the evaluation of the acquiring firm and the evaluation of the target firm. In the second phase, which occurs during the event of mergers and acquisitions, the level of control can be increased by focusing on financial measures and the use of mixed payments for financing a merger or acquisition. In third phase after a merger or acquisition, the level of control can be increased by establishing a financial alarm management system and removing or separating enterprise divisions.

3. Strategic alliances

Strategic alliances can be formulated as collaborations between firms who share a common strategy in order to achieve mutual benefit for each firm involved. Therefore, it is possible that firms who operate in a strategic alliance each have individual goals that can be pursued by sharing a common strategy and thereby creating synergy effects. There are many different types of collaborations that fall under the term of strategic alliances. E.g., (Johnson et al., 2015) categorises strategic alliances in terms of ownership and acknowledges two types of strategic alliances. These two types of strategic alliances are equity alliances and non-equity alliances. An equity alliance focuses on the establishment of a new venture which is owned by all firms involved in the strategic alliance. Therefore, shared ownership is crucial in equity alliances. A well known form of an equity alliance is a joint venture which occurs when two or more individual firms commit part of their resources into a common legal organisation (Kogut, 1988). Non-equity alliances do not involve shared ownership of a new venture, in contrast to equity alliances. On the other hand, non-equity alliances focus on partnerships that are defined in formal contracts. Therefore, formal contracts are crucial in non-equity alliances and that is why non-equity alliances can also be called contractual alliances. A well known form of a non-equity alliance is franchising.

3.1 Motives for strategic alliances

In general, firms participate in strategic alliances to share knowledge and resources in order to achieve mutual benefit for each firm involved. However, when we take a closer look at the motives for participating in strategic alliances, several categories can be distinguished (Johnson et al., 2015).

Access alliances: the motivation for access alliances focuses primarily on gaining access to the capabilities of a partner firm on order to provide entrance to new markets, countries, knowledge or distribution channels. The access alliances motivation is e.g. extensively used by new firms who make use of high technology (Haeussler et al., 2012).

Complementary alliances: a complementary alliance can be considered as a form of an access alliance. However, in a complementary alliance the partners are located on the same level or position within the value network. The main purpose of complementary alliances is to strengthen a firm’s weaknesses with the strength of a partner firm. Obviously, the same principle also applies vice versa for the other partner firm in the alliance. According to (Hattori & Hsin, 2014): “*the integration of two independent monopolists, each producing one complementary component, will reduce the sum of the two components’ prices.”*

Collusive alliances: it might occur that firms secretly work together in off the record partnerships in order to increase their market power. A more familiar term for these partnerships are cartels. In general, these secret partnerships are illegal because they enable firms to extract lower cost prices for suppliers and higher market prices for customers. Some alliances can have a combination of different motives, but it is always important to beware of collusive motives since these motives in general hurt suppliers, customers and competitors.

Scale alliances: the main motive for firms to participate in scale alliances is to bundle resources in order to gain economies of scale benefits. Within a scale alliance, both partners contribute equal resources in a similar stage within the value-chain (Dussauge et al., 2004). By bundling the production activities, the partners can e.g. reduce the purchasing costs of raw materials or labour costs. Scale alliances can also be applied in order to share potential risks between multiple partners.

3.1.1 International motives for strategic alliances

The motives for participating in strategic alliances can also be examined from an international theoretical perspective. These theoretical perspectives are no direct motives, but they describe the underlying rationale of strategic alliances from an international perspective. The following four main theoretical perspectives emerge when these motives are examined from an international perspective: strategic behaviour approach, organisational theory, transaction cost theory and resource dependency theory (Kauser & Shaw, 2008).

Strategic behaviour approach: this theoretical perspective implies that the formation of strategic alliances is done in order to maximise profits by improving the competitive position of a firm (Kogut, 1988). The following factors could be improved in order to enhance the competitive position of a company: access to new technologies and knowledge, risk reduction, profitability and changing the competitive nature of a market.

Organisational theory: the organisational theoretical perspective considers strategic alliances as a way to acquire additional capabilities, new knowledge and innovative technologies. Furthermore, strategic alliances enable firms to acquire new competencies en improve skills.

Transaction cost theory: this theoretical perspective focuses on enabling the benefits of economies of scale by bringing transactions under a shared cooperation. Therefore, alliances are used for reducing capital investments from individual firms by partnering with other firms. A strategic alliance such as a joint venture is able to create a superior alignment of incentives and monitoring mechanism (Kogut, 1988). According to (Hennart, 2010), transaction cost theory is useful to gain a better understanding of international business phenomena.

Resource dependency theory: the resource dependency perspective is built on the idea that there is no firm in the world that possesses all the necessary knowledge and resources to be completely self-sufficient in its operations. Therefore, firms must exchange knowledge, resources and maintain relationships with other firms in order to operate effectively within a market. This ongoing demand for knowledge and resources creates dependency and thus uncertainty among firms. Participating in strategic alliances enable firms to maintain these necessary relationships and thereby reduce uncertainties (Kauser & Shaw, 2008). The resource dependency theory is also acknowledges by (Kogut, 1988). However, within this research the resource dependency theory is formulated as 'organisational motives' and defines a strategic alliance as "*a means by which firms learn or seek to retain their capabilities"* (Kogut, 1988).

3.1.2 Summary motives

This sub-paragraph describes a summary of the paragraph above and provides an answer to specific research question 1.

SRQ 1. *What are the main motives for participating in external sources of innovative competencies such as mergers, acquisitions and strategic alliances?*

When examining the motives for participating in strategic alliances, several categories can be distinguished. These categories are: access alliances, complementary alliances, collusive alliances and scale alliances. Access alliances primarily focus on gaining access to the capabilities of a partner firm. Complementary alliances are in some aspects similar to access alliances but distinguish themselves in the focus to strengthen a firm's weaknesses with the strength of a partner firm. Collusive alliances are used to increase the market power of the partner firms. Lastly, firms participate in scale alliances to bundle resources in order to gain economies of scale benefits.

Furthermore, when examining the motives for participating in strategic alliances from an international perspective, four main theoretical perspectives emerge. These theoretical perspectives are: strategic behaviour approach, organisational theory, transaction cost theory and resource dependency theory. Strategic behaviour approach implies that the formation of strategic alliances is done in order to maximise profits by improving the competitive position of a firm. Organisational theory considers strategic alliances as a way to acquire additional capabilities, new knowledge and innovative technologies. Transaction cost theory focuses on enabling the benefits of economies of scale by bringing transactions under a shared cooperation. Finally, resource dependency theory is built on the idea that there is no firm in the world that possesses all the necessary knowledge and resources to be completely self-sufficient in its operations. Therefore, firms must exchange

knowledge, resources and maintain relationships with other firms in order to operate effectively within a market.

3.2 Risk

Risk is a very important factor within the playing field of strategic alliances. This is mainly due to the assumption that engaging in strategic alliances can be seen as a risky strategy in itself. This assumption is supported by a survey in which major companies suggest that 41% of strategic alliances failed to meet expectations (Grindley, 1998). Two different types of risk can be distinguished within strategic alliances, namely: relation risk and performance risk.

Relational risk can occur when firms involved within a strategic alliance do not experience a satisfying relationship or cooperation. This unsatisfying relationship or cooperation can be the result of so-called opportunistic behaviour from one of the firms involved. Examples of opportunistic behaviour are misrepresentation of information and knowledge or by shearing responsibilities. All firms involved in strategic alliances have their individual interests. When the benefits of a strategic alliance are only received by one of the firms involved, these are called private benefits. In contrast to private benefits, there are common benefits which are benefits from strategic alliances that are received by all firms involved. Especially the private benefits and individual interests of partner firms within a strategic alliance can cause serious conflicts. It can be concluded that the pursuit of a firm's individual interests and opportunistic behaviour can cause serious harm to common benefits and thereby create relational risk. Relational risk can only occur in inter-organisational strategies of collaboration, such as strategic alliances.

When a strategic alliance is unsuccessful, despite the efforts and good collaboration between partner firms, performance risks may have occurred. Performance risk include all factors that are not related to the cooperation and relationship between partner firms. Examples of performance risk factors are: increasing level of competition, new market entrants and changes in government policies. Performance risk can occur in any organisation strategies in contrast to relational risk that can occur only in inter-organizational collaboration strategies (Das & Teng, 2001).

3.2.1 Summary risk

This sub-paragraph describes a summary of the paragraph above and provides an answer to specific research question 2.

SRQ 2. *What are the characteristics of external sources of innovative competencies such as merger, acquisition and strategic alliances in terms of risk?*

When examining risk within the context of strategic alliances, two different types of risk can be distinguished. These two types of risk are: relation risk and performance risk. Relational risk can occur when firms involved within a strategic alliance do not experience a satisfying relationship or cooperation. When a strategic alliance is unsuccessful, despite the efforts and good collaboration between partner firms, performance risks may have occurred. Performance risk include all factors that are not related to the cooperation and relationship between partner firms.

3.3 Trust and control

Within the literature of strategic alliances, the concept of trust is hard to define. Many researchers provided definitions for the concept of trust. Within this research, trust is defined as "*the positive expectations regarding the other in a risky situation"* (Das & Teng, 2001). In addition to this definition, (Das & Teng, 2001) also defined the related concept of goodwill trust. According to the researchers, goodwill trust can be defined as integrity, good intentions and the good faith of a firm. The presence of goodwill trust ensures that partner firms care for mutual benefits in strategic alliances. This also leads to the believe that goodwill trust ensures that partner firms behave in good faith and thereby prevent opportunistic behaviour. Therefore, the presence of goodwill trust reduces the level of relational risk by preventing opportunistic behaviour. In contrast to relational risk, goodwill trust is not connected to the level of performance risk. This is mainly because goodwill trust is about the relationship and interaction between partner firms in a strategic alliance, rather than the factors that are unrelated to

relationship and interaction.

In contrast to the concept of goodwill trust, there is a concept of trust which is related to performance risk. This concept is called competence trust. The concept of competence trust focuses on the different capabilities, skills and resources which a firm possesses. Examples of resources are: technological knowledge, tangible assets, human resources and capital. These resources, skills and capabilities of the partner firms can have an important influence on the success of a strategic alliance. Firms tend to build a reputation for competence when they become more experienced and successful in previous strategic alliances. Therefore, a higher level of competence decreases the level of performance risk and thereby increases the chances of success within a strategic alliance. It can be concluded that the concept of trust can have a significant influence on the concept of risk. To be more precise, goodwill trust can have a significant impact on relational risk and competence trust can have a significant impact on performance risk.

In addition to the concept of trust, there is another factor which has a significant influence on the concept of risk within strategic alliances. This is the concept of control. Within this research, control is defined as "*the process of regulation and monitoring for achievement of organizational goals"* (Das & Teng, 2001). There are many different ways to increase the level of control within an alliance. Examples are: contractual agreements, managerial agreements and governance structure. The domain of control can be further specified into three categories, namely: social control, output control and behaviour control.

Social control is based on the believe that firms are able to control employees by focusing on their believes and shared values instead of focusing on outputs and formal tasks. By doing so, firms are able to implement organisational goals among employees and increase their motivation and commitment towards these goals. Important to note is that the process of creating these organisational goals takes place by nature and is by no means centralised within a firm. The implementation of social control within strategic alliances is most suitable when there is lack of measurable output and common goals between partner firms do not exist yet. When implemented correctly, social control has the potential to contribute towards the reduction of both relational risk and performance risk. Relational risk can decrease because social control enables the creation of shared values between partner firms within a strategic alliances. This prevents firms from behaving in an opportunistic way. Social control can also contribute towards the reduction of performance risk, because it enables partner firms to create organisational goals that are realistic and achievable, which reduces performance risk.

The second category in the domain of control is output control. Implementing output control can have a significant influence on the level of performance risk within a strategic alliance. This is mainly because output control only focuses on the performance of strategic alliances in terms of measurable output. Therefore, output control exercised by monitoring the performance and output of a partner firm within a strategic alliance. The application of output control in a strategic alliance is particularly effective when the measurements of the output are exact and precise and there is a lack of knowledge about the transformation process.

The third and final category in the domain of control is behaviour control. A different term that is also used for behaviour control is process control. Behaviour control mainly focuses on the process which transforms behaviour into desired or required output. The application of behaviour control is also used to prevent opportunistic behaviour by partner firms. Therefore, behaviour control can decrease the level of relational risk. The use of behaviour control is especially suitable in a situation where there is much knowledge about the process and a lack of measurability of the output (Das & Teng, 2001).

3.3.1 Summary trust and control

This sub-paragraph describes a summary of the paragraph above and provides an answer to specific research question 3.

SRQ 3. *What are the characteristics of external sources of innovative competencies such as merger, acquisition and strategic alliances in terms of trust and control?*

Within this research and the context of strategic alliances, trust is defined as "*the positive expectations regarding the other in a risky situation*" (Das & Teng, 2001). In addition to this definition, the researchers also defined the related concept of goodwill trust. Goodwill trust can be defined as integrity, good intentions and the good faith of a firm. Besides the concept of goodwill trust, there is also the concept of competence trust. This concept focuses on the different capabilities, skills and resources which a firm possesses.

In addition to the concept of trust, there is the concept of control, which is defined as "*the process of regulation and monitoring for achievement of organizational goals*" (Das & Teng, 2001). The domain of control can be specified into three categories, namely: social control, output control and behaviour control. Social control is based on the believe that firms are able to control employees by focusing on them believes and shared values instead of focusing on outputs and formal tasks. Output control only focuses on the performance of strategic alliances in terms of measurable output, thereby creating a significant influence on the level of performance risk within a strategic alliance. Behaviour control mainly focuses on the process which transforms behaviour into desired or required output.

3.4 Resource commitment

Resource commitment within the context of strategic alliances is defined as all the resources that are committed to a specific relationship or partnership, such as a strategic alliance. Some examples of resources that can be committed to such a specific relationship are: capital, human resources, facilities and materials. The costs that results from switching partnerships, such as strategic alliances, are defined as switching costs (Sambasivan et al., 2013). These switching costs arise because specific resources are developed or acquired for specific strategic purposes within a partnership. Therefore, some resources that are committed to a specific partnership are not transferrable to other partnerships that operate with different strategies. The more resources and thus commitment is devoted to a specific partnership, the higher the switching costs are when firms decide to change partnerships with different firms. According to this principle, one can suggest that the amount of resources that are committed to a specific relationship indicates a firm's expectations for the continuity of a partnership. E.g., when the expectations for the continuity of a partnership are high, firms are more likely to commit a greater amount of resources towards a partnership.

In the process of establishing and maintaining strategic alliances, firms form a network of direct and indirect relationships with other firms. A position within such a network results in access to knowledge and information of direct relationships. Furthermore, there is also access to knowledge and information of indirect relationships since those relationships are in connection with direct relationships of a firm (Schilling & Phelps, 2007). In order to gain the advantages of a position within a network, firms have to obtain an optimal network structure. This optimal network structure can be accomplished by the presence of bridging ties and strong ties. Bridging ties enable access to novel knowledge and capabilities, but lack the characteristics to integrate the knowledge and capabilities (Wubben et al., 2014). The knowledge and capabilities of firms within the same network of connections is often homogeneous since firms tend to have stronger ties with firms that are similar to themselves (Borgatti & Halgin, 2011). The knowledge and capabilities of bridging ties is novel and heterogeneous because it is obtained from a different network than the network in which the firm is located. The bridging ties act as mediators that form bridges between different clusters of networks in order to transfer knowledge and capabilities. In contrast to bridging ties, strong ties enable the integration of knowledge and capabilities. The presence of strong ties is expressed in frequent and intensive contact between firms that have a mutual understanding (Wubben et al., 2014). According to (Levin & Cross, 2004), the precense of strong ties lead to the receipt of useful knowledge. Since bridging ties enable access to novel knowledge and capabilities and strong ties enable the integration of both, strong ties should

complement bridging ties (Tiwana, 2007).

3.4.1 Summary resource commitment

This sub-paragraph describes a summary of the paragraph above and provides an answer to specific research question 4.

SRQ 4. *What are the characteristics of external sources of innovative competencies such as merger, acquisition and strategic alliances in terms of resource commitment?*

Resource commitment within the context of strategic alliances is defined as all the resources that are committed to a specific relationship or partnership, such as a strategic alliance. The costs that results from switching partnerships, such as strategic alliances, are defined as switching costs.

In the process of establishing and maintaining strategic alliances, firms form a network of direct and indirect relationships with other firms. A position within such a network results in access to knowledge and information of direct relationships. In order to gain the advantages of a position within a network, firms have to obtain an optimal network structure. This optimal network structure can be accomplished by the presence of bridging ties and strong ties. Bridging ties enable access to novel knowledge and capabilities, but lack the characteristics to integrate the knowledge and capabilities. In contrast to bridging ties, strong ties enable the integration of knowledge and capabilities. The presence of strong ties is expressed in frequent and intensive contact between firms that have a mutual understanding.

4. Conclusion and discussion

This chapter describes the conclusion and discussion of the literature review above and provides an answer to the general research question.

GRQ. *How do external sources of innovative competencies differ in terms of motives, risk, trust, control, and resource commitment and which external source is most suitable for the expansion of activities and increasing the value proposition of companies that want to become active in health care and sports facilities?*

Table 1. Overview specific research question answers below contains an enumeration of motives and characteristics that answer the specific research questions. After this table is a detailed explanation of the enumeration and an answer to the general research question

	SRQ1. Main motives for participating in mergers, acquisitions and strategic alliances?	SRQ 2. Characteristics of merger, acquisition and strategic alliances in terms of risk?	SRQ 3. Characteristics of merger, acquisition and strategic alliances in terms of trust and control?	SRQ 4. Characteristics of merger, acquisition and strategic alliances in terms of resource commitment?
Mergers and acquisitions	Strategic, financial, managerial and acquisition wave motives	Financial risk and human resource management (HRM) risk	Evaluation, financial measures, mixed payments and financial alarm management system	Capital that is reserved for funding a merger or acquisition
Strategic Alliances	Access, complementary, collusive and scale alliances	Relational risk and performance risk	Goodwill trust, competence trust, social control, output control and behaviour control	Network, optimal network structure, bridging ties and strong ties

Table 1. Overview specific research question answers

When examining the motives for engaging in mergers and acquisitions compared to the motives for participating in strategic alliances, several similarities and some differences can be identified. The most important similarities are those between the strategic motives for engaging in mergers and acquisitions and the motives (access alliances, complementary alliances, collusive alliances and scale alliances) for engaging in strategic alliances. The ‘capabilities’ motive for participating in a merger or acquisition is e.g. almost identical to the ‘access alliance’ for engaging in strategic alliances and also shows similarities with the ‘organisational theory’. This is mainly because all these motives and theories focus on gaining access to the capabilities of a partner firm in order to provide entrance to new markets, countries, knowledge or distribution channels. Other similarities can be identified between the ‘consolidation’ motive for participating in mergers and acquisitions and the ‘scale alliances’ motive and ‘transaction cost theory’ for engaging in strategic alliances, since all these motives focus on enabling the benefits of economies of scale by bringing transactions under a shared cooperation. A comparison between the motives for both external sources of innovative competencies also results in some differences. E.g. the financial motives for participating in mergers and acquisitions

like ‘asset stripping or unbundling’, which only focuses on buying underlying assets in order to sell those assets with a profit, are not suitable motives for engaging in strategic alliances. In those scenarios, merger and acquisition motives can be focused on making a profit by buying and reselling resources, where strategic alliance motives in principle focus on the formation of a collaboration in order to achieve mutual benefit. Furthermore, literature does not recognise the ‘wave’ motive and the ‘bandwagon’ effect, which is applicable to some mergers and acquisitions, in the same extent to strategic alliances.

The characteristics of external sources of innovative competencies in terms of risk also show some clear differences between merger and acquisitions and strategic alliances. Financial risk plays a very important role when participating in mergers and acquisitions. This financial risk especially emerges at the phase of the value assessment of the target firm, since an incorrect assessment of a target firm’s performance can cause an overestimation of the real value. Furthermore, the financing method that is used to finance a merger or acquisition can cause payment risks. These financial risks are less applicable on strategic alliances since there is no transfer of ownership between firms. The relational risk that occurs when engaging in strategic alliances is also not applicable on mergers and acquisitions, because this risk arises when firms experience unsatisfying relationships between partner firms. Since resources and ownership are located within the same firm after a merger or acquisition, there is technically not an ongoing relationship or cooperation between different partners.

A comparison between the characteristics of external sources of innovative competencies in terms of trust and control results in some differences. Especially regarding the characteristics of trust, it can be concluded that this factor is relevant in different phases with respect to mergers, acquisitions and strategic alliances. To be more specific, the factor trust is mainly relevant at the first phase before engaging in mergers and acquisitions. At this phase the value assessment of the target firm is executed and trust can influence the detection of potential information asymmetries. E.g. when there is less trust in the sincerity and transparency of a target firm, there will be a more critical evaluation of the information regarding the performance and financial status of a target firm. After the phase of value assessment, when participating in a merger or acquisition, ownership is transferred and trust becomes less relevant since the acquiring firm is in control of the resources. In contrast to the relevance of trust in the first phase, when engaging in mergers and acquisitions, the factor trust is more relevant when engaging in strategic alliances. This is mainly because trust in the context of strategic alliances focuses on the capabilities, skills, integrity and good intentions of a partner firm. Therefore, the concept of trust remains relevant as long as there is an ongoing cooperation with a partner firm. The factor control reveals the same differences between the external sources of innovative competencies compared to the differences that were noticed when examining the characteristics of risk. This means that control with respect to mergers and acquisitions is primarily focused on measures to reduce the financial risk. Regarding strategic alliances, control focuses on the achievement of organisational goals. These organisational goals are set before firms enter a strategic alliance and achieving these goals create the added value of a strategic alliance.

Within the context of this research, it was not possible to gather sufficient scientific information to describe the characteristics of resource commitment regarding mergers and acquisitions. Therefore, no conclusions are drawn on the difference in characteristics of external sources of innovative competencies in terms of resource commitment. However, one can argue that there is one important resource commitment regarding mergers and acquisitions. This commitment is the capital that is reserved for funding a merger or acquisition.

Taking all the above information into account, one can conclude that engaging in a strategic alliance is a viable strategy to expand activities and increase the value proposition of Van der Valk Hotels & Restaurants. The demand of the lodging firm for external expertise and resources regarding health care activities fits well with the ‘access alliances’ motive. This motive focuses primarily on gaining access to the capabilities of a partner firm in order provide entrance to new markets and knowledge. Furthermore, by choosing for a strategic alliance instead of a merger or acquisition, the firm will experience less financial risk. The firm should however take the relational risk into account when engaging in a strategic alliance. By focusing on sufficient capabilities, skills and integrity of a partner firm within a strategic alliance, Van der Valk should be able to maintain goodwill trust and

competence trust. By obtaining a position within a network of direct and indirect partnerships, the firm will be able to gain access to knowledge and information that helps to create a better value proposition for customers.

4.2 Discussion

The scope of this study focused on the scientific literature that was available about external sources of innovative competencies. To be more specific, the literature study focused on mergers, acquisitions and strategic alliances. Due to time constraints, it was not possible to examine the different forms of strategic alliances. Future research on this specific matter can provide more insights and value. Furthermore, the research material that is examined within this research is restricted to scientific articles and books. There is no analysis conducted of the organisational structure, market, financial performance and other characteristics of Van der Valk Hotels & Restaurants. Future research on these firm specific characteristics can provide an even more suitable recommendation regarding an investment in external sources of innovative competencies.

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