COOPERATIVE STRATEGIES IN RETAILING: A PREMONITORY ASSESSMENT

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In the past two decades, the retailing industry has participated in a number of types of cooperative strategies, primarily very large numbers of corporate mergers and acquisitions. Emerging quickly has been the joint venture activity which is just beginning to noticeably impact the structure, conduct and performance of the industry in the United States and promises to be quite significant internationally. Retailers are striving hard to meet the challenges of today's highly volatile marketplace. The purpose of this study is to begin to determine the conditions within the firm which might indicate the form of cooperative strategy into which a retailer will likely enter when confronted with these challenges. Selected financial and market characteristics of firms participating in joint venture activity were compared with acquiring firms and firms which became the target of an acquisition. The firm size, market-to-book value, price-earnings ratio, and sales growth were all found to significantly differ among firms dependent on the type of strategy in which they participated. Additionally, a discriminant function was derived which enables the prediction of the type of activity a firm would participate in with accuracy rates of up to 64.29%. Given the growing and potentially critical role of joint ventures in the future, above and beyond mergers and acquisitions, the ability to predict cooperative strategies based upon a set of firm characteristics is a most valuable tool for researchers as well as decision makers.

INTRODUCTION

In the 1990's, collaboration between firms, even among competing firms, is very much in fashion. Cooperation has become a lower risk and lower cost way to gain technologies, expertise, and market access (Hamel, Doz and Prahalad, 1989). Many labels have been ascribed to the concept of collaboration among firms. The subjects of "strategic alliances", "cooperative agreements", "joint ventures", "collaborative agreements", and many similar concepts have permeated the literature of many disciplines including that of Marketing and Strategic Management.

Although some of these terms describe distinctly different business arrangements, they all signify arrangements between firms which Harrigan (1985) has called "strategic alliances" or "cooperative strategies". Strategic alliances are defined as partnerships between firms formed to attain some strategic objective (Killing, 1983; Harrigan, 1985). These alliances can include those strategies ranging from acquisitions, where one firm gains full equity ownership of the assets and skills of another firm, to non-equity arrangements such as cross-licensing agreements where the firms involved have minimal control over the assets and skills they seek (Harrigan, 1985).

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Various bodies of literature have provided insight into many aspects of the different types of cooperative strategies (Harrigan, 1985; Palepu, 1986; Kumar, Kerin and Pereira, 1991). Many authors, convinced of the necessity of such strategies, have begun to study the nature and structure of the agreements in domestic and international settings (Harrigan, 1985; Morris & Hergert, 1987; Ohmae, 1989; Taylor, 1989). In the retailing literature specifically, however, very little empirical attention has been paid to such strategies and their possible usefulness to firms in the retail industry. Retailing practice, on the other hand, has certainly not overlooked the value that cooperative strategies can have in terms of corporate growth.

Mergers and Acquisitions (1990) ranked the retail industry seventh in number of transactions and a costly fourth in terms of dollar volume for the 31,000 merger and acquisition (M&A) transactions that took place in the 1980's (Sikora, 1990). This high stakes merger and acquisition activity in retailing (e.g. Campeau-Federated-Allied) was the object of a tremendous amount of media attention.

Joint venture (JV) activity is also on the rise among retailers as a strategy for corporate growth. Though the numbers are somewhat more elusive, the recent onslaught of JV activity involving many of the top U.S. retailers has been highly publicized (e.g. Wal-Mart-Cifra, Toys R Us-McDonald's Japan, Fingerhut-Montgomery Ward). The majority of the documented cases of joint ventures involving retail firms have facilitated international market expansions where one U.S. firm partners with a foreign firm to comply with government regulations or to capitalize on the knowledge and abilities of the partner who is already established in that market.

Other forms of cooperative agreements among retail firms are plentiful as well. These arrangements can be more complex to examine because equity ownership in a company may be split between firms (as in minority investments) or only a contractual agreement may exist with no joint ownership involved (as in cooperative agreements). In these situations, it is difficult to assess what portion of the financial success of either company can be attributed to the alliance, but the strategic reasoning is often obvious.

Gary Taylor (1989, p. 38) stated, "If the 1980's stands as the era of the merger, the 1990's will rank as the time of corporate alliance..." There appears to be agreement that, though M&A activity will continue to take place, joint venture activity is more necessary than ever before (Taylor, 1989; Morris & Hergert, 1987; Harrigan, 1985). Therefore, it is important to try to understand the nature and scope of both types of activity, not only in theory but in practice as well.

The purpose of this study is twofold: (1) to delineate differences in the financial characteristics found to be motivating factors in alliance formation among those firms who act as bidders in an M&A transactions, those firms who become targets, and those firms who enter into joint venture activity with a partner firm, and (2) to try to determine the usefulness of these financial variables in predicting group membership (i.e. acquiring firms, joint venturing firms or targets of an acquisition).

This study will add to the existing body of retailing literature in two ways: (1) by examining a sample which includes the intensive M&A activity which took place between 1985 & 1992, and (2) by making an initial attempt to determine variables which may motivate retailing firms to enter into joint venture activity.

SELECTED LITERATURE

The categorization of M&A as a "strategic alliance" or "cooperative strategy" is sometimes thought to be misused (as in the case of hostile takeovers). However, when one considers the motives for entering into such activity, at some point in the transaction, especially on the part of the bidder, the alliance of the two firms is unquestionably a strategic maneuver. It might be that a firm wants to enter an unfamiliar market, access limited resources including talented human capital, or acquire new technology or knowledge (Starr, 1991). Additionally, many firms that are the target of an acquisition have their own reasons for agreeing to the activity.

In 1985, Kerin and Varaiya examined the possible motives behind M&A as a cooperative strategy choice for retail firms and found empirical evidence that this strategy did little to increase the share-holder wealth in the acquiring firm. The authors found that over 60 percent of the retailing M&A activity that occurred between 1981-1983 was conglomerate in structure and nearly 30 percent was horizontal. Vertical M&A activity was found to account for only a small portion of the total activity. The conglomerate mergers were predominately product and market extensions only a small percentage each year were undertaken in an attempt to diversify. This is not inconsistent with Starr's (1991) contention that the popularity of conglomerate M&A activity has waned since the 1970's due to poor performance outcomes when firms stray from their core competencies (i.e. pursuing diversification strategies).

The Japanese version of a conglomerate, known as keiretsu, are highly decentralized unlike those in the U. S. and Europe. This may explain why they have emerged as some of the most puissant companies in the world. The premise behind the keiretsu is that they function as one enormous network for communication and member companies can cooperate in a venture when it is advantageous to each. Competition exists between members of the same keiretsu but not at the intense levels that occur between the keiretsu (Starr, 1991).

The motivating factors behind the activities of the keiretsu are quite similar to those behind M&A and JV activity. The keiretsu are more oriented toward cooperation rather than financial management (as is the case in many U. S. conglomerates). The members may supply parts, production know-how, and access to markets as well as lend capital (Starr, 1991). They will expect reciprocal aid from the members when they have needs. The joint venture seems to have its orientation somewhere in between the family-based, Japanese style conglomerate and those conglomerates in the U. S.

Joint venturing firms, unlike the kieretsu, often make an overtly public agreement to cooperate. The joint venture partners agree to form a third entity whose mission allows each partner to contribute what it can, whether it be capital, human resources, technology or know-how. Unlike a merger or acquisition, there is no shared equity in the parent companies, only in the 'child' created by the venture partners. Though these firms may agree upon the mission of the new company, they do not necessarily have the same objectives or purposes (Harrigan, 1985). The result is that the agreement to cooperate often includes a termination agreement, whereby a 'child' may be given independence with the parents becoming stockholders or it may be taken back into a parent company (Harrigan, 1985).

Corporate practice in many U. S. industries including retailing has begun to utilize JV, as well as M&A, in an attempt to flourish in today's saturated and often volatile marketplace. Because the motivating factors for participating in either type of activity can often be quite similar, how can firms make the optimum decisions when choosing alliance as strategy?

M&A literature, in general, has focused on the outcomes of M&A activity such as increasing share-holder wealth and profitability. Kumar, Kerin and Pereira (1991) added to the body of existing scholarly literature in retailing by identifying differences in "finance-, marketing-, and corporate-related variables across targets, bidders, and firms *not* engaging in recent M & A activity". These "antecedent" or "pre-acquisition" conditions were then used to predict the probability that a retailer may be likely to participate in these activities. The multinomial logit model used to analyze the data supported the ANOVA results and was able to predict of the actual role the retailers played in M&A activity with an accuracy rate of 78%.

The retailing literature has not, at this point, addressed the topic of joint ventures among retail firms empirically. The announcements of joint ventures among retailers have been chronicled in the popular press over the past few years and a trend appears to be emerging. In the past few years, the retailers who have entered into joint ventures appear to have done so to gain access to otherwise unapproachable markets due to government restriction or lack of market expertise, etc. (i.e. Euromoney, 1993; Gillman , 1993). The literature on joint ventures does point out that many industries had international motivations for joint venturing at the onset, but in today's competitive environment, the trend is to form domestic joint ventures for competitive livelihood (Harrigan, 1985). Joint venturing is relatively new to the retail industry. Will retailers find it necessary to follow the trend? The idea merits investigation.

Because of the lack of scholarly literature concerning M&A activity and JV activity specifically related to retailing, it seems that firms could benefit from understanding under what conditions an alliance could be beneficial and which type of alliance is most viable under the set of conditions the firm is experiencing. This would allow the firm more proactive rather than reactive strategy choices. For instance, if a firm is functioning under a set of conditions that might make them a candidate for acquisition, they may choose to merge or even file Chapter 11 bankruptcy to avoid such a situation.

The literature and experience suggest that *many* types of cooperative strategies are possible and that certain internal and external conditions to the firm may make some strategy options more viable and/or successful under such conditions (Harrigan, 1985; Contractor & Lorange, 1988). Can the variables found to be useful in predicting merger and acquisition activity among firms be useful in predicting other cooperative strategies as well?

METHODOLOGY

Data

The data for the retailing industry were gathered from the Compustat Industrial File and the Compustat Research File. As defined by Kumar, Kerin and Pereira (1991) and used in this study, the retailing industry consisted of those firms listed under eight, two-digit SIC codes:

- 52 Building Materials
- 53 General Merchandise Stores
- 54 Food Stores
- 55 Auto Dealers and Service Stations
- 56 Apparel and Accessory Stores
- 57 Furniture and Home Furnishing Stores
- 58 Eating and Drinking Places
- 59 Miscellaneous Retail

The M&A activity includes those companies who reported a transaction in financial records utilized by the Compustat database between 1973 and 1992. The joint venture activity included in this study has been defined as those activities in which "a separate entity with two or more active businesses as parents" (Harrigan, 1985 p. 2) is created. These firms were also drawn from the same 19 year period. This definition provides a distinct difference between M & A and joint venture activity as a strategic choice.

Because joint venture activity as it has been defined here has become an important phenomena in the past decade and has historically constituted a smaller amount of activity in retailing than has M&A activity, and due to the fact that the database is limited to publicly held companies, the number of joint venturing firms available is limited in number accordingly. Subsequently, a sample of 49 firms comprised of 15 firms who participated in joint venture activity, 17 firms who had made an acquisition (bidders) and 17 firms who had been acquired during the years under investigation was drawn. The 15 joint venturing firms included in the study made up the total number of firms which met the criteria and for whom the database had all required data. Firms with missing data were excluded from the sample. The number of firms available for study exceeded 140 in both the bidder and target categories. Since grossly unequal sample sizes have been found to negatively effect some statistical analyses (Klecka, 1980), an appropriate sample size was drawn from each group.

A t-statistic was calculated on the mean differences for each variable in order to determine if the sub-set sample accurately represented the total sample available for acquiring firms and those firms who had been acquired. None of the group means was found to be significantly different on any variable; thus it can be assumed that each smaller group accurately represents the total population of firms available for study.

For each variable, unless otherwise noted, the three years prior to the year of the merger, acquisition or joint venture were averaged and used in the analysis. The average has been used to insure stability and identify trends in the key variables (Kumar et. al, 1991). The unit of analysis for those firms participating in joint venture activity is at least one of the 'parent' firms. The entity or 'child' they created is not considered in this case. For those firms participating in merger and acquisition activity, the unit of analysis is the firm before the activity took place. The interest is in what antecedent conditions the firm was experiencing before it made the choice to enter into an alliance or became the target of an acquisition.

Variables and Hypotheses

The following variables were used to assess the antecedent financial and market characteristics for joint venture, merger and acquisition activity by firms having retail operations in the United States. All firms considered were publicly held corporations.

Cash Flow. Higgins (1989) has defined cash flow as the flow remaining after all worthwhile investments have been financed. Within this definition "cash-rich" firms and "cash-poor" firms exist. These two types of firms have a "natural affinity" for each other which often results in M&A activity (Kumar et. al, 1991). The bidder firm most often has the greater cash flow (Caves, 1989). Free cash flow is defined here as a firm's operating income before depreciation less the firms expenses, dividends and taxes.

> H1: The average cash flow will be higher for bidder and joint venture firms than for firms who become the target of an acquisition.

Undervalued Common Stock. Kerin and Varaiya (1985) have documented research that indicates that undervalued common stock is often motive for acquisition activity. Kumar, Kerin and Pereira (1991, p. 332) found that target firms' stocks were "relatively more undervalued than bidders or non-bidder/target firms". Joint venturing firms are expected to have a higher market-to-book value as well or they may fall target to acquisition. The market-to-book value ration (M/B) is determined using the price at close value times the common shares divided by the common equity total (Palepu, 1986; Kumar, Kerin and Pereira, 1991).

> H2: Bidder firms and joint venturing firms will have a higher market-to-book value ratio than target firms.

Price-Earnings Ratio. This variable is defined as the stock price per share divided by the earnings per share for the three years previous to activity. The P/E ratio has been found to be a factor in the motivation to acquire a firm. Generally a firm with a higher price to earnings ratio may seek out a firm with a lower ratio to enjoy immediate capital gains (Palepu, 1986). Because joint venturing firms do not share in the equity of the parent firm it takes as a partner, the P/E ratio is expected to have little bearing on the choice of partners in this case. In as much as the P/E ratio may indicate the strength of the firm to attract partners, one might expect the joint venturing firms to have much the same characteristics as bidder firms for this variable. Therefore,

H3: P/E ratios will be higher for joint venturing firms and for acquiring firms than for target firms.

Liquidity. The recent finance literature has suggested that resource poor firms with a high growth rate may be attractive as targets of an acquisition (Palepu, 1986). Liquidity is defined as the average ratio of net liquid assets of a firm to its total assets for the three years prior to the activity.

H4: Target firms will have a lower ratio of net liquid assets to total assets than bidder firms and joint venturing firms.

Firm Size. This variable is defined as the total assets of the firm measured at the year end immediately prior to the observation year. In the retailing industry, because most joint venture activity to this point have been international market expansions, one would expect the firms to be very large and to have saturated the U. S. market. In addition, one would expect bidder firms, who often use acquisition as their corporate growth strategy, to be very large as well. It is also likely that joint venturing firms will have a larger firm size in general than will acquiring firms because they have often saturated the U.S. market and often other foreign markets that where cooperative activity did not prove to be necessary.

H5: Joint venturing firms will have a larger firm size than acquiring firms and target firms.

Sales Growth. As stated, acquisitions and other strategic alliances are often used as a corporate growth strategy, often in the form of sales growth. Higgins (1989) found that a firm may seek a merger partner who is cash rich when the firm's actual growth exceeds its sustainable growth. If the reverse is true, the firm may consider acquisition or joint venture. This variable is operationalized as return on equity times retention ratio (sustainable growth)/ actual growth. (Kumar, Kerin and Pereira, 1991).

H6: Sustainable growth relative to actual growth will be higher for joint venturing firms than for target or acquiring firms.

Return on Equity. This variable is included as a market performance measure for the firms. It is expected, much the same as is the case with earnings, that those firms experiencing the greater ratio of net income to common and preferred equity would likely be targets of acquisitions. Therefore,

H7: Target firms will have higher average return on equity than will acquiring firms and joint venturing firms.

As indicated, these variables have been utilized in previous studies, examining a variety of firm types, and have been found to relate to the merger and acquisition activity, or lack thereof, in which a firm might be likely to participate. This analysis will provide a broader examination of the relationship of these variables to the strategic options available to retail firms today.

RESULTS AND DISCUSSION

Because tests for normality indicated questions that some of the variables were skewed, loglinear transformations of those variables were used in all statistical procedures. Utilizing the log transformations did not change the significant outcomes of the statistical procedures but served to stabilize the results obtained from the rather modest amount of available observations.

A multivariate analysis of variance (MANOVA) was used to examine the differences in the seven variables between those firms who chose to joint venture, those who chose to acquire a firm and those who became the target of an acquisition (Refer to Table 1). For the purposes of the analysis the dependent variable "Source" consisted of three levels: (1) Acquiring firms, (2) Target firms, and (3) Joint Venturing firms. The significant Wilk's Lambda indicates the presence of an overall source effect.

TABLE 1
MANOVA RESULTS

Variable	Anova F Value	Pr > F
PEAVG	3.10	0.0550
ROEAVG	0.80	0.4577
LIQUDAVG	0.15	0.8624
LOGMB	4.72	0.0138
LOGGWTH	11.08	0.0001
LOGCF	1.19	0.3128
LOGSIZ	15.79	0.0001

Wilk's Lambda for no Overall Source Effect: $p < 0.0005$

For those variables which had significant one-way ANOVA results, which would indicate that the means did indeed vary by source, Duncan's Multiple Range test was utilized to compare the three cooperative strategy alternatives and determine between which pairs those differences were significantly different (Refer to Table 2). The MANOVA and Duncan's Multiple Range results support four of the seven hypotheses. The significant variables include the sustainable to actual growth ratio average (GRWTHAVG), the market-to-book value average (MBAVG), the average price-earnings ratio (PEAVG) and the firm size average (SIZEAVG). The results indicate that, as hypothesized:

- The average market-to-book value ratio is significantly higher for acquiring firms and joint venturing firms than for target firms (H2).
- The average size of the joint venturing firms is significantly larger than the size of the acquiring firms and target firms (H5).
- The average sustainable growth relative to actual growth is significantly higher for joint venturing firms than for acquiring firms or target firms (H6). A significantly higher growth average also exists between acquiring firms and target firms.
- The average price-earnings ratio was higher for joint venturing firms than for bidder or target firms (H3) though a statistically significant difference only existed between joint venturing firms and target firms.

The average return-on-equity (H7), the average leverage (H4), and the average earnings per share (H1) were not found to vary significantly between groups.

A backward stepwise discriminant analysis procedure was then performed to determine which of the variables were most valuable in predicting group membership and the degree of accuracy with which those variables were able to predict. The analysis resulted in the removal of three variables from the original seven. The average liquidity, the average market-to-book value, the average cash-flow and the average firm size were found to be most valuable in the prediction of group membership.

Using the four variables, a discriminant function (Refer to Table 3) was calculated and subsequently employed in cross-validation procedure to determine its accuracy. The posterior probabilities of membership were calculated upon completion of the cross-validation procedure.

The cross-validation results represented in Table 4 show that the discriminant function is able to predict group membership 59.08% of the time on average, i.e. the function correctly predicted the 27 firms in the main

TABLE 2

RESULTS OF DUNCAN'S MULTIPLE RANGE TESTS: RESULTS FOR SIGNIFICANT MODEL VARIABLES

Variable	Comparison
MBAVG	JV FIRMS & ACQUIRING FIRMS
	JV FIRMS & TARGET FIRMS ***
	ACQUIRING FIRMS & TARGET FIRMS ***
GRWTHAVG	JV FIRMS & ACQUIRING FIRMS ***
	JV FIRMS & TARGET FIRMS ***
	ACQUIRING FIRMS & TARGET FIRMS ***
SIZEAVG	JV FIRMS & ACQUIRING FIRMS ***
	JV FIRMS & TARGET FIRMS ***
	ACQUIRING FIRMS & TARGET FIRMS
PEAVG	JV FIRMS & ACQUIRING FIRMS
	JV FIRMS & TARGET fIRMS ***
	ACQUIRING FIRMS & TARGET FIRMS

TABLE 3

BACKWARD STEPWISE DISCRIMINANT ANALYSIS RESULTS

	Acquiring Firm	Target Firm	Joint Venturing Firm
CONSTANT	-6.25483	-6.13858	-13.09987
LIQUDAVG	1.23277	-1.79687	3.51712
LOGMB	-0.69786	-1.96151	-1.28049
LOGCF	6.94585	12.51963	9.32514
LOGSIZ	4.46638	3.97461	6.61363

Wilks' Lambda = .51261838 F(6, 82) = 5.422 Prob > F =0.0001

diagonal cells and incorrectly predicted the 19 firms in the off diagonal cells. Individually, the function predicts that a firm will participate in the acquisition of another firm with 52.94% accuracy. The ability of the discriminant function to predict that a firm will fall target to an acquisition is 60%. The highest accuracy rate of prediction, 64.29%, comes in the prediction of firms who will participate in a joint venture. Assuming equal probabilities for the priors for each of the three groups, the accuracy rates reflected on the main diagonal cells are nearly double that of the probability of predicting group membership by chance.

It is interesting to note the misclassified results reported in Table 4 as well as those the discriminant function was able to classify correctly. Those firms who in reality acquired a firm were most often misclassified as targets of an acquisition (29.41%). The reciprocal was true for those firms who were actually targets of an acquisition (26.67%). This would indicate that the discriminant function had some difficulty distinguishing between acquiring firms and target firms because their means were in closer proximity to each other than to the mean for the joint venturing firms.

IMPLICATIONS

The results of this investigation indicate that some financial conditions within the retail firms studied do indeed differ among those firms who eventually choose to form a joint venture, acquire another firm, or are the target of an acquisition. Specifically, the results would seem to indicate that the financial variables included in this study are able to discriminate rather well between those firms who participate in a joint venture and those firms who participate in an acquisition or become the target of one. However, because the predictions resulting from the discriminant analysis are not without error, the three groups of firms overlap somewhat, i.e. the three groups are not mutually exclusive.

The financial characteristics of those firms who acquire other firms appear to fall somewhere in the mid-range, and thus firms that were classified incorrectly were often misclassified into this group. The results of the Duncan's Multiple Range tests add further support to this configuration in that the joint venturing firms differ significantly from target firms on four of the variables, but only on the average growth variable was the group of acquiring firms significantly different from the other two groups of firms.

In addition to the findings of this study and suggestions for further investigation, some other interesting observations are of note. The outcomes of the differences between financial variables do not appear to be fully supported by results reported in previous studies that investigated firms within the retail industry specifically, particularly Kumar, Kerin, and Pereira (1991), whose work is the most comprehensive to date on mergers and acquisitions in the retail industry and motivated this study. However, the differences in results of the two studies is quite likely due to differences in the sample period and sample size of the studies and the intervening effects of joint ventures in the current study. Kumar, Kerin and Pereira sampled retail firms through 1985 and understandably did not specifically consider the few joint ventures of that time period. The sample of the current study considered acquiring firms and firms who became targets of an acquisition between 1973 and 1992, extending the 1985 limit of the Kumar et al. study through 1992 and considered joint venture firms. Additionally, the sample size in this study was limited by the number of joint venture firms, while Kumar et al. were not restricted by JV activity or lack of it.

TABLE 4
CROSS-VALIDATION SUMMARY
(NUMBER OF OBSERVATIONS AND PERCENT CLASSIFIED INTO SOURCE)

From Source	Acquiring Firms	Target Firms	Joint Venturing Firms
Acquiring Firms	**9** **52.94**	5 29.41	3 17.65
Target Firms	4 26.67	**9** **60.00**	2 13.33
Joint Venturing Firms	3 21.43	2 14.29	**9** **64.29**
Priors	0.3333	0.3333	0.3333

Another interesting outcome results from the inclusion of firms who participated in joint ventures. The model proved more accurate in the classification of firms who actually participated in this particular type of alliance. The MANOVA results indicate, however, that there often are no significant differences between certain financial variables between firms who joint venture and those who participate in acquisition of other firms. Because both types of alliance are often used as a means for growth, the motives behind these strategic choices may be much more robust than mere financial antecedents are able to portray. It may be necessary to include other strategy related variables, such as knowledge acquisition, core competencies or hidden agendas, which might ameliorate the distinction between joint venturing and acquiring as strategic options.

This study has attempted to distinguish between forms of strategic alliances which are available options to retailers today and to utilize antecedent conditions within the firm to help determine what option a sample of retailers have chosen. What has not been done, to this point, is to determine whether the strategy option they chose was successful for the firm. An examination of this question, as well as the inclusion of other strategy related variables would provide more comprehensive treatment of this topic. Research in these areas can begin to alert retailers to a variety of alliance options and offers a chance for retailers to become more proactive in future strategic endeavors.

The M&A activity includes those companies who reported a transaction in financial records utilized by the Compustat database between 1973 and 1992. The joint venture activity included in this study has been defined as those activities in which "a separate entity with two or more active businesses as parents" (Harrigan, 1985 p. 2) is created. These firms were also drawn from the same 19 year period. This definition provides a distinct difference between M & A and joint venture activity as a strategic choice.

Because joint venture activity as it has been defined here has tended to play a much smaller role in retailing than M&A activity has in the past, and due to the fact that the database is limited to publicly held companies, the number of joint venturing firms available is limited. Subsequently, a sample of 49 firms comprised of 15 firms who participated in joint venture activity, 17 firms who had made an acquisition (bidders) and 17 firms who had been acquired during the years under investigation was drawn. The 15 joint venturing firms included in the study made up the total number of firms which met the criteria and had the necessary data. The number of firms available for study exceeded 140 in both the bidder and target categories. Because grossly unequal sample sizes have been found to negatively effect some statistical analyses (Klecka, 1980), an appropriate sample size was drawn from each group.

A t-statistic was calculated on the mean differences for each variable in order to determine if the sub-set sample accurately represented the total sample available for acquiring firms and those firms who had been acquired. None of the group means were found to be significantly different on any variable, thus it can be assumed that each smaller group accurately represents the total population of firms available for study.

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