

Strategic Alliance and Endogenous Production Network

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Abstract

This paper examines how a firm's involvement in strategic alliance interacts with its endogenous choice of production networks. Using datasets of U.S. firms, I first document that a strategic alliance could boost the creation and breakage of supply chains afterward, especially in the industries related to the partners or activities in alliances. Based on these facts, I developed a model where a firm searches for candidates and endogenously selects some of them as suppliers. Besides, I assume the strategic alliance lowers the cost of searching for supplier candidates. The model implies that the strategic alliance incurs new connections and disconnections with suppliers simultaneously.

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