controlling for market fluctuations (t = -2.71). These results are consistent with those presented in Table 4 and support hypotheses 3 and 5.

10. Several researchers have argued that related acquisitions offer greater potential gains than unrelated acquisitions (Kusewitt, 1985; Lubatkin, 1983, 1987; Porter, 1980, 1987; Salter & Weinholdt, 1978; Singh & Montgomery, 1987). Similarly, the size or financial resources available to the target firm may influence the gain available from an acquisition (Jemison & Sitkin, 1986). If any of these factors are correlated with response strategy and in fact influence gains to target shareholders during the post-announcement period, the observed relationship between response strategy and target shareholder gains may be spurious.

To address this possibility, the cross-sectional regression test described in footnote 9 was repeated controlling for firm size, liquidity, financial leverage, and various measures of relatedness with the acquiring firms. Controlling for these variables, however, had no material impact on the results.

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