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# Information asymmetry, adverse selection and joint-ventures: Theory and evidence ☆

[Srinivasan Balakrishnan](#) , [Mitchell P. Koza](#)

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## Abstract

We propose that intermediate forms of organization like joint-ventures are superior to markets and hierarchies when the costs of valuing complementary assets are non-trivial. By allowing piecemeal transactions under shared ownership and control, joint-ventures can reduce these costs significantly. Our theory is supported by the results of a cross-sectional analysis of the abnormal returns to the parent firms in 64 joint-venture announcements and 165 merger announcements.

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