

Selection criteria for a good collaborative partner management essay



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In this age of globalization the companies are facing high level of competition from both national and international companies, therefore are taking collaborating with other companies to maintain and gain competitive advantage (Birscoe, Schuler and Tarique, 2012; Taylor 2004). Among all types of collaboration, past research on cross border alliance have shown that international joint venture is the most popular means of collaboration for expanding into the international market (Rees and Edwards, 2009; Ernst and Halevy, 2004; Schuler, Jackson, and Lou, 2004).

International joint venture is an organisation owned by two or more legally independent firms from who have headquartered in different countries come together and from a cross national collaboration. (Islam, Ali and Sandhu, 2011). Companies that take this strategy to create joint venture could be due to factors such as: to lower the cost of high risk, technology sensitive development project, gain economics of scale, scope of acquiring value-added service, access to partner's technology, acquire learning, and access to market (Wall, 2009).

Therefore the right partner and maintaining a good relationship is the key to achieving desired objective. In the chapters blow talks about the main characteristics that a company should look for in good collaborative partner and the selection process, factors that are important good match and the evaluation process, and how to create good conditions for a partnership.

3. A Main characteristics and Selection Criteria for a good collaborative partner

Having a good partner is the key to the success of the international joint venture. Therefore partner selection is an important variable in the formation and operation of an international joint venture (Chen, Park, and Newburry, 2009; Harrigan, 2006; Geringer and Hebert, 1989). Using a comprehensive conceptual partner selection framework adapted from Cummings and Holmberg (2012) shown in Figure 1, a company can balance several potentially interrelating factors to enhance partner selection processes. The objective for an alliance is influenced by the corporate objectives and environmental conditions. The specific alliance objectives in-turn influences the partner selection criteria. For the partnership selection factors the framework adapts the “ best fit” approach, hence the potential firms are evaluated in terms of the aspects such specific tasks, learning, relational, and risks related factors that the company wants to achieve (Cummings and Holmberg, 2012). Therefore when a firm finds the ideal balance between these characteristics in potential partner company, that company is the right candidate for collaboration.

Figure 1 Balancing key factors in a comprehensive alliance partner selection framework to enhance partner selection (Cummings and Holmberg, 2012)

3. A . 1 Task-related

A company looking for collaborative partner for International joint venture usually has specific tasks that it aims to accomplish via the alliance.

Therefore a good fit between the partners in corresponding tasks will enable the ventures achieve their joint alliance and individual corporate objectives

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(Ariño, and García-Canal, 2012; Ring and Van de Ven, 1994; Inkpen and Ross, 2001). The most common reasons for such venture is resource-sharing with aim to fill resource gaps, strengthen market position, technologies development, expansion or entering new markets, and strengthen customer relationship (Cummings and Holmberg, 2012; Doz and Hamel, 1998).

However resource-sharing alliance's likelihood will depend on how well a selected partner backs the joint strategy and need (Schreiner, M., Kale, P., & Corsten, D. 2009; Ring and Van de Ven, 1994). Thus finding the right partner is the key and Table 1 illustrates questions adapted from Cummings and Holmberg (2012), for evaluating potential task-related partners. Being consistent with Figure 1, the key steps can be used to analyse the firm's strategy and broader environmental context and create a task list that will state the task related factors the focal is looking in the potential partner. Then using task the list, the focal firm can assess how well each potential partner addresses each identified task.

Table 1: key step to analyse Task related factors of a firm (Cummings and Holmberg, 2012)

3. A . 2 Learning-related

In many industries the pace at which changes occur is too fast, for any one company to be competitive in terms of research and development, technology, customer, foreign market and distribution at the same time is very difficult due to limitation of resources (Heimeriks, 2010; Argote and Ingram, 2000; Gupta and Govindarajan, 1991). Hence companies form alliances such as international joint venture to obtain knowledge and

learning from the partner that they themselves lack (Park, 2011). Identifying
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the right partner for learning related factors is similar to identifying task-related, where the criteria is based on corporate and alliance strategies of the company (Cummings and Holmberg, 2012). However a potential partner with specific knowledge is not sufficient to ensure the successful transfer of knowledge, and future usefulness of this knowledge is a factors needed to be considered ((Ensign, and Hébert, 2009; Cummings and Teng, 2006).

Moreover it is also important to consider readiness of the a partner to make the knowledge accessible is other aspects needed to be considered (Cummings, 2003; Duan, Nie, and Coakes, 2010).

Therefore potential partner must be evaluated in terms of learning-related factor, and table 2 illustrates those question adapted from Cummings and Holmberg (2012). These questions can be used to evaluate the ability of potential partner to provide specific knowledge in a timely and efficient manner by overcoming knowledge-embeddedness issues, also sharing evident and implicit knowledge and leveraging each other's related knowledge networks (Teece, 2000; Garud and Nayyar, 1994; Argote and Ingram, 2000). Also the ability of the partners to provide improved strategic soothsaying, forecasting and research inputs and capabilities (Cummings and Holmberg, 2012). Hence evaluate the potential partner on the learning-related factors before the formation of the alliance, so that enhance it can enhance selection process bring success.

Table 2: key step to analyse learning-related factors of a firm (Cummings and Holmberg, 2012)

3. A. 3 Partnering-related

The partnering-related characteristics concentrate on relational facets of a firms looking for an alliance such international joint venture. The characteristic of partner is very important for the success of an alliance as it determines the outcomes (Aulakh et al., 1997; Geringer, 1991; Lavie, Haunschild, and Khanna, 2012;). Therefore finding the right partner using a thorough partner assessment is the key to the successful alliance and collaboration. In addition, there are other characteristics that are needed to be evaluated in the potential partner including differences in national and corporate cultures, past collaborations, strategic interests, organizational norms and structures, financial strength, stability and long term prospect (British Standard Institute, 2010; Cummings and Holmberg, 2012).

The most successful alliances are the ones that had pre-existing social relationships and strategic interdependencies with its partner since these characteristics allowed them to grow common goals and values and joint rules and norms that enables them to have quality working interactions (Ring and Van de Ven, 1994; Gulati, Wohlgezogen, and Zhelyazkov, 2012).

However in an alliance difficulties often arise due factors such differences in culture, experiences, trust, social systems and institutional structures as well as due to communication procedures and organizational arrangements (see Anand et al., 2002; Dahan et al., 2010). Keeping these factors in consideration the companies should determine what is acceptable and unacceptable in a workplace, also determine the priorities of different tasks and types of interactions that should prevail between the parties and coordinating mechanisms that are to be used (Baughn et al., 1997; Geringer

and Hebert, 1989; Gupta and Govindarajan, 1991; Easterby-Smith, and Lyles, 2011). These features help to determine comfortless and trust between the partners, as well keep | harmony between partners that helps them to overcome conflicts and other inherent problems of alliance (Das and Kumar, 2009). The Table 3 illustrates the eight key criteria adapted from Cummings and Holmberg (2012), that can used to evaluate potential partners regarding important partnering-related factors.

Table: key step to analyse Task related factors of a firm (Cummings and Holmberg, 2012)

3. A . 4 Risk-related

There is potential risk in any type of venture specially in terms of choosing the right partner selection as success of alliances such as International joint venture depends on the partner. Thus it is important access potential partners using partner selection framework before forming an alliance assessment. Risk-related factors can be assessed in two categories that is the “ alliance risks” and “ not-partnering risks” adapted from Cummings and Holmberg, (2012).

3. A . 4. 1 Alliance risks

Alliances such as international joint venture consist of a numerous of risks. There are six type of alliance risk that is adapted from Das and Teng (1998); Brouthers et al. (1995); Lei and Slocum (1991); de Man and Roijackers, 2009 and Inkpen and Ross (2001). These six categories of risk are performance risks, relational risks, unequally shared risk, competition risks, quality risks and customer relationship risks. Failure to manage these risks may lead to

damaged relationships with customers and companies may have face long-term consequences. Table 4 adapted from Cummings and Holmberg, (2012), illustrates question for evaluating partners for selection using the six major categories of risks as described.

3. A . 4. 2 Not-partnering risks

Non-partnering related risk does not focus on the focal firm going for collaboration; rather it focuses on the risk related to rivals (Fahey, 2012; Fahey, 1999). It analyses risks that the focal firm may face in case the rival firms or firm pursue a collaborative partners or partnering arrangements. Hence the after assessment and identification rivals firm potential collaborators, the firm will be able assess these risks that it is going to be faced and pre-empt strategic moves in order to bypass them. Table 4 illustrates the questions that can be used for evaluation such risk.

Table 4: key step to analyse risks related factors of a firm (Cummings and Holmberg, 2012)

3. A. 5 Alliance partner selection evaluation decision tool

In this article we used the “ best-fit” approach for partner selection as this approach evaluates factors that most relevant and important to the success of an alliance. Therefore, in order to evaluate all the potential partner a matrix can be constructed with each potential partner being evaluated on factors such task, learning, partnering and risk characteristics and rate them. Then considering all the factors and rating of each of the factors, the company that has most balanced score card can considered as the best fit for the company.

3. B. Factors for determining good match

In the chapter 3. A of this article, the author introduced the concept of best fit approach for finding the ideal partner. The potential partner was evaluated in terms four broad characteristics such as of task, learning, partner and risk related. However to create a successful international joint venture, a good match between the potential partner and company is the key. Hence we need to look more deeply in some of the characteristics.

a) Commitment level

Companies take strategic moves to form alliance such as international joint venture, to reduce their dependency on the host country and enhance their competitive position. Hence for good match equal level of commitment to achieving the cause or objective is essential for success. The commitment level of the partner should reflect a positive valuation of a collaborative relationship, as well the willingness of partners to exert effort to the relationship (Robins et al., 2002; Mohr & Spekman, 1994). Partners help to chance of the risk of opportunistic behaviour by demonstrating commitment and creating a positive relationship, which in turn will help reduce transaction costs and the costs associated with partnership, moreover enhance performance (Demirbag & Mirza, 2000; Isobe et al., 2000; Kwon, 2008; Nakos & Brouthers, 2008;).

Commitment can be considered as both behavioural and psychological (Ren, Gray and Kim, 2009). For partners express commitment, they can express by showing long-term interest in the association, as well by taking confirmatory activities that prove their willingness carry out their promise (Nakos and Brouthers, 2008; Mohr & Spekman, 1994). A common way of showing
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commitment is by expressing commitment in terms of resources such capital investment, new facilities, and operational (Child and Yan, 2003; Cullen, Johnson, & Sakano, 1995). The more resources a partner offers to the venture, greater the amount of fate of the partner is bound to the success of the venture, thus greater psychological commitment (Ren and Gray, 2009). Also, when the partner considers the international joint venture to be as strategically important it will be willing to contribute resources to ensure success. Therefore when evaluating good match between the focal firm and potential partner, the focal firm must evaluate level of commitment of the partner in the term of both behavioural and psychological. As having good commitment level to the joint vision and mission will assure good fit between partners and ensure success.

b) Capability level

Capability can be expressed as the ability of a firm to adapt, shape, and reconfigure Core and external capabilities in response to changing environment (Teece, 2009; Teece, Pisano and Shuen 1997). Hence a firm can use its capability harness economic benefits using current resources and develop new competences. The level of capability can be accessed in terms of ability to coordinate, combine, and reconfigure resources to produce competitive advantage and market positions (Zhan and Luo, 2008 ; Teece 1998; Teece, 2009). Previous studies also defined capability in terms of firm's strategic competences, technological attributes and operational attributes, as well their organizational assets such as managerial skills, organization ability, administrative structure, industrial and international experience, and organizational control (Zhan and Luo, 2008; Tallman 1992, <https://assignbuster.com/selection-criteria-for-a-good-collaborative-partner-management-essay/>)

Luo 2000, Tallman Lindquist 2002). Hence identification of partner's capability is an important criterion for partner selection, Geringer (1989) classifies these criteria as " task-related" factors. Henceforth a capable partner with complementary capability is the key to a good match and success.

c) Cultural Fit

Culture is how the mind is programmed that differentiates the members of one group from another (Hofstede, 1984; Samovar, Porter, and McDaniel, 2009). It also defines in what way fellows belonging to culture evaluate things and how they behave (Probst, Carnevale, and Triandis, 1999). Hence culture is recognised as important drivers for the performance of an international joint venture (Lu, 2006). As international joint venture occurs between companies belong to different nationals, therefore cultural differences should examined in terms of both national and the organizational cultures (Sirmon and Lane, 2004).

The national culture can be defined as the shared values, norms, and priorities that are shared among members of a country (Hofstede, 1984; Sirmon & Lane, 2004). From the result of empirical test there is mixed effect of national cultures on the partners (Anh et al., 2006; Brouthers and Bamossy, 2006; L.-T. Lu, 2007; L.-T. Lu and Lee, 2005; Luo and Shenkar, 2002). However, differences in national cultural has been found as the leading cause misunderstandings and ambiguity of parents' companies goals , as well trust issues , issues regarding perceived performance, and instability (Simonin, 1999; Yeheskel et al., 2001; Luo, 2001; Makino et al.,

2007; Meschi & Riccio, 2008). Alternatively culture may also act as a source of appreciation, leading to a higher level of communication and continuation of collaboration (Park & Ungson, 1997). Therefore we can conclude that the relationship can be quite complex (Salk & Shenkar, 2001). Understanding national culture distance will lead to development of greater cultural sensitivity among partners, therefore better communication, and appreciation counterpart's culture and this will lead improve trust between them and thus lead to greater performance (Brouthers and Bamossy, 2006). The national culture distance may play role in formulating the organizational culture distance, which may act as a factor that leads conflicting expectations, misapprehensions, and communication issues hampering the performance of the venture (Sirmon & Lane, 2004; Fey & Beamish, 2001; Pothukuchi et al., 2002; Yeheskel et al., 2001). The organizational culture includes decision-making procedure, communication flow, human resources factors, working style, flexibility to change, transparency in work, focus on continual improvement, governance and issue resolution (Fey & Beamish, 2001). Hence when evaluating potential good fit between potential partners for an international joint venture, it is important identify and evaluate partner's national and organizational culture. Then compare them with national and organisational culture of the focal firm, and evaluate whether they are compatible.

d) Motivation and Goal Compatibility

Motivation is the willingness of a firm for formation of international joint venture (Gibbons et al. 1994). It sets stage for formation of goals and

provides a framework to managers in the formation and negotiations of the <https://assignbuster.com/selection-criteria-for-a-good-collaborative-partner-management-essay/>

venture. Goals are specific objectives and expectations guided by the motivation of the parent company wants to gain from the establishment of this venture. The compatibility of goals between partners can be referred as to the extent to parent organisation have similar strategic objectives about and the direction and growth of the venture. The compatibility of parents' companies objectives will lead to positive relationship between which will lead to perceived international joint venture performance (Kogut, 1988; Boateng and Glaister, 2002). In addition goal congruity works uncertainty reduction factor in terms of partner behaviour and leads to grater personal commitment to the venture, thus increasing trust among each other (Luo, 2001). On flip side divergence in goals of the parent companies creates an opportunistic environment and generates conflict (Luo & Park, 2004 ; Luo, 2001). Thus we can conclude that the compatibility goal between partners is the key to good match between partners and success.

3. B. Good match evaluation decision tool

In this article we introduced “ best-fit” approach in chapter 3 A for the partner selection, and we can use similar approach for this. We can evaluate the entire potential partner by using a matrix however here each potential partner will be evaluated on good match factors such as Commitment level, Capability level, Cultural Fit, Motivation and Goal Compatibility.

Then rate of each of the factors, the company that has most balanced score card can consider as the goof match for the company.

3. C. Creating a good conditions for partnership

Creating the right environment for working together is the key for creating an ideal condition for partnership. It emphasizes on establishing a strong base of executive support, functioning structure, governance, roles and tasks that efficiently attain the anticipated business goals, operating practices and proper performance measurement. This is very important for creating to long-term relationships between partners and stakeholders. Figure 2 illustrates the steps adapted form adapted from British Standard Institute (2011) for working together.

Figure 2

Governance

In collaboration, governance provides clearness and direction to the partners other stake holders (Lavie and Miller, 2008). . It ensures a clear understanding of the restrictions of the relationship and how each stake holder can contribute and benefit from the preferred results (British Standard Institute, 2011; Yan and Zeng 1999). The key to a successful collaborative working environment is clarity in focus and operational processes that have been mutually agreed between the partners, senior executives and joint management team (Beamish and Lupton, 2009). The senior executives play a vital role to overcome potential internal barriers and manage challenges within the collaboration, thus strong executive support is needed to ensure the good condition in the collaboration (Reuer, Klijn, Bosch, and Volberda, 2011). Therefore when the senior executives support the overall sponsorship and take leadership of the joint management team, they should have clear guidelines and limits of authority (Datta, Musteen and Herrmann, 2009). In <https://assignbuster.com/selection-criteria-for-a-good-collaborative-partner-management-essay/>

addition for the venture to have good condition, partner must set objectives joint objective. These objectives must be clearly defined, aligned with the desired goal and measurable. Each party in collaboration must also understand the objectives and their expected role in the venture (Strange, Filatotchev, Buck and Wright). Moreover in order to appoint the correct leadership each partner must undertake a competency appraisal. The potential leaders should be identified considering their capabilities and where necessary support and development program should be introduced (Schuler and Tarique, 2012). By taking such measures good condition can be achieved.

Organisational Structure

In collaboration such as international joint venture, a joint management teams are formed. For this collaboration to be effective, the joint management team should be composed of strong team members with appropriate representation from both the partners companies (Choi and Beamish, 2011). The joint management team are focused towards delivering the joint objectives and establishing accountability (British Standard Institute, 2011). The team should also have a clear mandate and should be empowered to ensure ownership and meeting performance targets (Dowling, Festing, and Engle 2008). Moreover the points of communication, roles and responsibilities, conflict resolution processes and authority all should be clearly defined (Schuler and Tarique, 2012). When the relationship grows, the management team should be responsible for day-to-day management and control of necessary resources, avoiding duplication of roles and working to achieve the agreed joint objectives (Kwon, 2008). In order to achieve this,

it is necessary to establish organizational structure within the collaborative team. The different positions of this structure should be filled by those who are best equipped or qualified to do the job. In addition responsibilities and roles required at every stage should be clear-cut and clearly defined as well documented and communicated (Schuler and Tarique, 2012). A clear communication process should be established between all the team members at all level. These are the factors that is needed to be ensure for creating good condition for partnership international joint venture.

Joint Knowledge Management

Companies do alliances such as international joint venture to harness the combined knowledge of the both parties and gain competitive advantages. However companies get into conflict due to not proper definition of information requirements and access can at the initial stage (Park 2010). Therefore a joint knowledge management plan can help to increase transparency, avoids duplication, set boundaries of information sharing and builds trust between partners (British Standard Institute, 2011). Using this approach can also lead to superior exchange of knowledge and create a shared working environment. However the level of openness is defined by their joint strategy and consistent with the relationship as it develops (Wensley and Kao, 2008). The partners of the collaboration should take advantage of the new information and create further opportunities and gain benefits (Park, 2011). If such knowledge management can be established, it will lead to creation of long term alliance and good alliance condition.

Communication Management

Establishment and maintenance of effective communications across all stakeholders ensure that everyone involved. Moreover sharing of necessary information aids achievement process of collaborative objectives and can create good relation among the partners (Damanpour, Devece, Chen, and Pothukuchi, 2012). Using a good communication management process the company can ensure all the internal stake holder understands what they need and when to deliver the objectives (Mead and Andrews, 2009).

Moreover external stakeholders, for example customers, suppliers and shareholders could be kept informed about the company (Kwon, 2008). By creating a joint communication management process a consistency messages can be created that are delivered to the stake holders (British Standard Institute, 2011). This will create greater transparency and trust among all the stake holders, thus create a good condition among partners.

Joint Risk Management

Managing risk is one of the most important business operations, and for developing confidence between collaborative partners they can create a joint risk management team (Hsieh, Rodrigues, and Child, 2010). This joint risk management team should be responsible for ensuring the risk related to the collaboration, the mitigation strategies and recognition of the individual partners' risks. The management team should appoint a capable manager to be responsible for the overall identification and management of risk within the collaborative team (British Standard Institute, 2011). Through risk profiling the team should provide the basis for identification of risk and create mitigation strategies to overcome them through a collaborative

approach (De Man, and Roijackers, 2009). Therefore by jointly evaluating the venture new source of risks can be identified more efficiently and mitigation strategies can be formulated (British Standard Institute, 2011). Hence international joint ventures should adopt this approach as it promotes greater transparency, better risk management and reinforces trust.

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Contracting Arrangements

Appropriate contract arrangements with a collaborative approaches support the collaborative behaviours of an alliance such as International joint venture (Cooley, and Spruyt, 2009). Most commercial venture is established on a contractual relationship, as the contract provides a complete solution and the value of a robust collaborative relationship (Reus and Rottig, 2009). This will also help to lessen the “blame culture” and “boundary conflicts” (Wu, F., 2012). The contract should be based around the four large factors adapted from British Standard Institute (2011) are given below:

a) Commercial issues:

b) Operating issues:

c) Management issues:

d) Resource assessment and management.

However partners of collaboration should jointly review and consider the contract. This is to ensure that the terms incorporated in the contact satisfy legal responsibilities, but do not diminish nor weaken the collaborative intent

(British Standard Institute, 2011). It is also essential that the contract should include a joint tactic for an exit strategy (Wu, 2012). Therefore a contract helps to create greater transparency, better collaboration environment and reinforces trust.

Business Process Management

Collaboration such as international joint venture has a business process that they take to reach the desired outcomes. These joint business processes provides a basis for assessing and modifying both internal and joint processes and highlighting potential process improvements (Schuler and Tarique, 2012). Therefore by forming a joint team, assessment can be done in terms implications and impact on existing processes, quality management and continual improvement (British Standard Institute, 2011). This assessment enables both organizations to identify areas where potential benefit can be harnessed and key issues can be identified (Wu, 2012). Moreover if a critical action is identified, it can be managed through a jointly agreed action plans and by work load sharing, hence creating a good collaboration condition.

Performance Measurement

All the alliance has an object that they want to reach, hence they implement plans for reaching this mutual objectives. The plans performance should regularly be monitored and measured, so that the firms can identify issues and take corrective action to lead the company towards the desired goal (Ren, Gray, and Kim, 2009). However in order to measure performance partners must at first derive the mile stone using the joint objectives. The using these milestones they can measure and monitor the performance of <https://assignbuster.com/selection-criteria-for-a-good-collaborative-partner-management-essay/>

the company (British Standard Institute, 2011). Therefore having a good performance measurement gives continuous feed back to the parent companies and the management also create transparency and trust between the partners.

Improvement

For a venture to remain competitive it needs to strive for continual improvement. Therefore Internal audits and joint audits are the essential tool for aiding continual improvement and identifying good practice of the venture (British Standard Institute, 2011). Internal audits can provide practical data concerning the reliability of the operating systems and processes, they also support and confirm the outputs generated from within it (Li, Zhou, and Zajac, 2009). This can provide feedback provides confidence to all stakeholders. Moreover, they can also unveil early warning, and help organizations to identifying potential problems and providing them time to take corrective measure (British Standard Institute, 2011). It also be used for monitoring progress and aids the decision-making process.

Relation Management Process (RMP)

Creating a joint relation management for international joint venture is key for creating a good condition between partners. It is a management process that provides various methods and

contracts that is undertakes from the point of formalizing the collaboration, and also provides the relationship platform for on-going management of relationship (British Standard Institute, 2011). Relation management process provides clarity to all the stakeholder and identifies the critical success

factors (Ren, Gray, and Kim, 2009). It also identifies expectations of the partners and it can be facilitated through the collaboration (Mead, and Andrews, 2009). . Thus we can conclude the importance of such process for creating a good environment for partners