

# **SELECTION OF POTENTIAL SUPPLIER PARTNERS IN A TURBULENT ENVIRONMENT– A Theoretical Framework for Partner Selection in the Infocom Market**

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## **Abstract**

The purpose of this study is to build a preliminary framework for the selection of partners for partnerships in the Infocom market. The study draws mainly from theory, but also empirical knowledge gained from company interviews is used. A preliminary framework is presented as a basis for future development.

## **Introduction**

This study examines partnerships in the Infocom sector. The Infocom sector consists of Information and Communication Technologies (ICT) and media communications (graphical and electronic communications). The highly competitive and volatile nature of the global environment in this sector motivates companies to form co-operative relations in their search for competitive advantage.

Partnership is a phenomenon that has received relatively wide attention in the literature recently. Partnerships have been studied in different contexts, but mainly in traditional manufacturing industries with tangible products and production facilities. Research topics have covered issues related to different aspects of partnerships, like reasons for partnerships, success factors and benefits of partnerships, and partner selection criteria (Lorange, Roos and Bronn 1992; Ellram 1990 and 1995; Mohr and Spekman 1994; Fram 1995). The basic assumption of this study is that some of the factors affecting partnership behaviour and partner selection are different in the context of the highly turbulent Infocom business. It has also been noted that there is still lack of knowledge linking alliance theory (what to do) to alliance practice (how to do it) (Frankel, Whipple and Frayer, 1996, 47).

The purpose of this paper is to build a preliminary theoretical framework for the selection of partners in a turbulent environment and to explore the criteria for the partner selection. This study draws both from the theory and the preliminary empirical knowledge that the writers have gained by interviewing company managers responsible for partnerships and partner selection in the Infocom sector.

## The concept of partnership

There may not be a commonly accepted definition for partnering. Broadly partnership refers to a variety of managerial practices and organisational designs that enhance and maintain collaboration (Barlow and Jashapara, 1998, 88). A partnership can be seen as a hybrid governance structure between markets and hierarchies. The range of possible relationship styles between the buyer and supplier varies from a pure arm's length relation to vertical integration (Cox, 1996, 63; Webster, 1992, 5).

A partnership between a buying and a supplying firm has been defined as a mutual, ongoing relationship involving a commitment over an extended period, and sharing of information as well as the risks and rewards of the relationship (Ellram, 1990, 8). The definitions of partnership usually stress co-operation, trust, and mutuality. Partnerships in the Infocom sector seem to involve elements like shared planning of the product/service concept, sharing of information, risk and rewards, and responsibility for their own distinct parts of the final product/service.

## Infocom market

This study focuses on companies offering information services through an Internet portal. These companies are a part of the so-called Infocom market, the result of the converging markets of telecommunications and media communications. The Infocom sector (or Infocom industry) is described in figure 1.

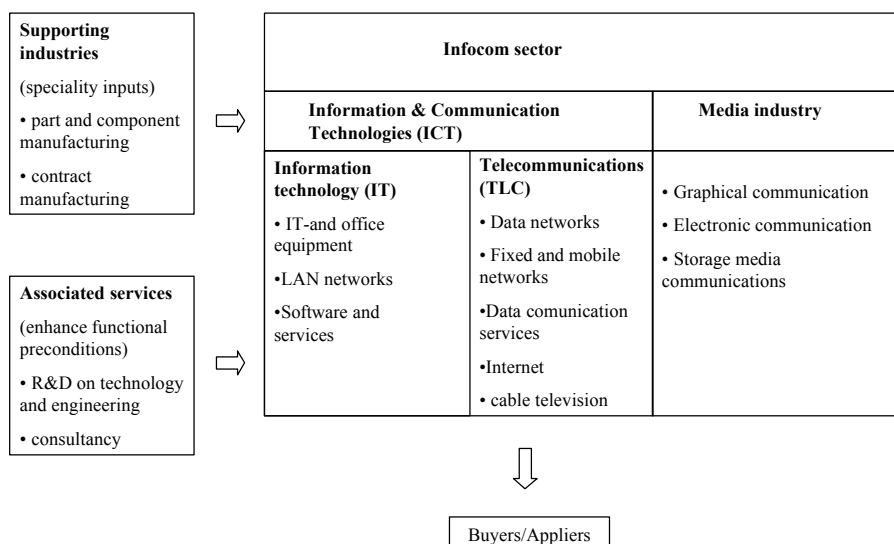


Figure 1:  
Infocom sector

The terms Information Technology (IT) and Telecommunications (TLC) are already widely known and together these two form the so called Information and Communication Technology market (ICT), which is possibly the fastest growing market in Europe at the moment. The term Infocom covers the converging media market and ICT markets. This single term can thus be used to cover both the media and the technology market related to e.g. Internet or eCommerce.

It is generally believed that there are significant opportunities in the emerging technologies and media over the next few years in the areas of convergence in the Infocom sector (networks/communications, content/media and IT/software). Convergence between different sectors offers possibilities for the development of new services that change the structures of these markets when fragmented industries are brought together. This tendency increases the need for partnerships between companies in different sectors.

### **Theoretical framework for partner selection**

The object of this chapter is to show that the earlier developed models of partnership do not sufficiently take into account the specific features in the rapidly changing service businesses, i.e. the environment in the Infocom market.

The partnering process has been described in various models in the literature. The model presented by Lambert, Emmelhainz and Gardner (1999) has three major elements: drivers, facilitators, and management components. Drivers and facilitators establish the potential for a partnership. Management components determine how the partnership is achieved. A frequently cited model of the development and evolution of purchasing relationships divides the partnering process in five phases: preliminary phase, identify potential partners, screen and select, establish relationship, evaluate relationship (Ellram, 1991, 12; Ellram and Edis, 1996, 27). Stuart has also presented a model of supplier partnerships, which describes the factors influencing supplier partnerships (Stuart, 1993, 24). Partnership models have also been presented related to supply chain management (Motwani, Larson and Ahuja 1998) or distribution channels (Abratt and Pitt 1989; Anderson and Narus 1990).

The above mentioned models of partnership help managers determine if a partnership is needed and identify the criteria for selecting a partner for a particular purpose. It seems that there is a need for a systematic, integrated model where the specific features of the Infocom sector are taken into account and where a partner selection process with Infocom specific criteria is integrated into the model.

The importance of selecting the right partner has been stressed as one of the most crucial tasks in the establishment of a partnership (Cavusgil and Evrigen 1997, Buono, 1997; Wilson 1995). There exist a few empirical studies on partner selection (Ellram 1990; Geringer 1990; Glaister and Buckley 1997; Cavusgil and Evrigen 1997; Khalifa and Peterson 1999) but it seems that there is still lack of research in partner selection for partnerships in turbulent markets. The criteria presented in different contexts share some common features, but generally the specific features of the Infocom market (e.g., intangible products) are not taken into account (see table 1). For example the complementary capabilities, the evaluation of knowledge base and trustworthiness seem to play an important role in the Infocom sector.

There are also criteria which are not that significant in Infocom market (as for instance production facilities or financial resources).

<b>Writers</b>	<b>Partnering focus</b>	<b>Selection criteria</b>
Lasserre (1984)	Technology transfer	<b>Strategic fit:</b> Strategic vision, Strategic importance of the project, Pressures <b>Resource fit:</b> Previous experience in joint ventures, Technology, Managerial and financial resources, Commitment
Ellram (1990)	Supplier partnership	<b>Financial Issues</b> (Economic performance and financial stability), <b>Organisational and Strategy Issues</b> (feeling of trust, strategic fit, supplier's organisational structure etc.) <b>Technology Issues</b> (assessment of manufacturing facilities, design capabilities etc.), <b>Other Factors</b> (safety record, business references)
Cavusgil, Yeoh, Mitri (1995)	Foreign distributors	Financial and company strengths, Product factors, Marketing skills, Commitment, Facilitating factors
Dacin, Hitt and Levitas (1997)	International alliances	Financial assets, Complementarity of capabilities, Unique competencies, Industry attractiveness, Cost of alternatives, Market knowledge/access, Intangible assets, Managerial capabilities, Capabilities to provide quality product/service, Willingness to share expertise, Partner's ability to acquire your firm's special skills, Previous alliance experience, Special skills that you can learn from your partner, Technical capabilities
Cavusgil and Evrigen (1997)	International marketing	<b>Partner related criteria:</b> Partner characteristics, Compatibility, Motivation, Commitment, Reliability, Property rights protection <b>Task related criteria:</b> Financial resources, Marketing resources, Customer service, R&D technical resources, Organisational resources, Production resources

Table 1:  
Partner selection criteria in different contexts

In fast-moving markets of the Infocom sector, there is pressure to partner quickly, which makes it difficult to test and try potential partners and reputation for performance, and trustworthiness become the measures when the partner is an untested commodity (Wilson, 1995).

Most management tools, also the tools related to partner selection, are based on the assumption that a company acts autonomously in the market (Duysters, De Man and Wildeman, 1999, 182-183). This may be inadequate in a modern network economy. Apart from standard partner selection criteria the strategic network positioning of a potential partner should play a major role in partner selection (Duysters, Kok and Vaandrager, 1999, 350). In addition to this, it has also been noted that it is not sufficient to focus only on the fit between two parties: the fit in the alliance portfolio should be evaluated in the partner selection as well (Duysters, De Man and Wildeman, 1999, 184). A firm can have different types of relationships for different purposes and must be able to match the optimal type of relationship to the various product, market, and supplier conditions (Bensaou, 1999, 37). The selection criteria of potential partners should be complemented to fulfil these needs.

On the basis of the discussion above we suggest that a revised framework for partner selection should be developed to suit the circumstances in the turbulent Infocom market. A preliminary framework is presented in figure 2:

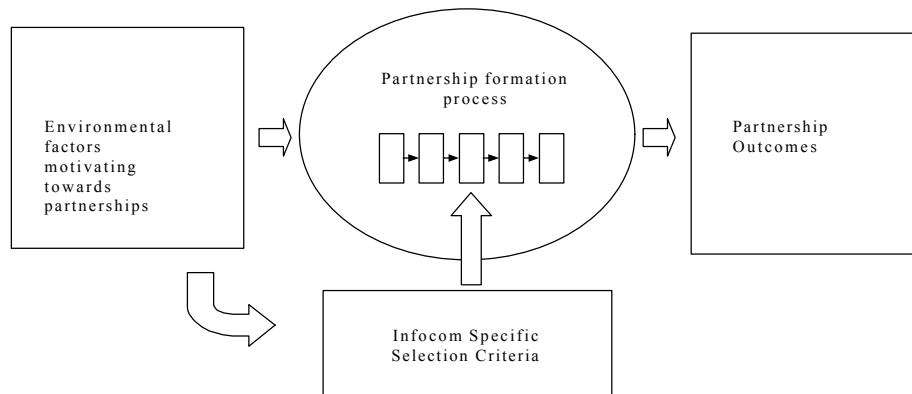


Figure 2:  
Framework for partnership formation and partner selection in Infocom market

Motivating factors are the basic reasons for partnership formation, for example convergence is one driving force motivating partnerships. The outcomes in the framework represent the gains or benefits that can be achieved through partnering (e.g. access to an established marketing network or complementary capabilities). The partnering process includes different stages, where the selection stage is, as mentioned above, one of the most crucial steps. In our framework the list of Infocom specific selection criteria plays a significant role and it will be constructed on the basis of future research. The criteria should take into account such issues like evaluation of the knowledge base, the network positioning of the potential partner and the fit in the alliance portfolio.

## Conclusions and future directions

The presented preliminary framework will be developed further. The relevant factors should be included in the elements of the framework. The development will continue on the basis of the literature followed by an appropriate empirical research design.

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