MANAGING SUPPLY CHAIN PARTNERSHIPS: A FRAMEWORK FOR OPTIMAL SUCCESS

The process of managing supply chain partnerships offers a worthwhile research agenda as a number of empirical studies report that very few firms are successful in realizing the potential benefits of supply chain partnerships. However, very little research available focuses on issues in managing supply chain partnerships once they are formed. Taking an emergent process theory perspective, we model the supply chain partnering process as a series of four linked models that correspond with the phases of typical partnership lifecycle from initiation to maturity/termination, and discuss the critical management issues in those phases. The framework provides a roadmap for managers to pursue optimal success in supply chain partnerships.

1. Introduction

Many firms in the last two decades have restructured their businesses in dramatic ways, typically moving away from traditional vertically integrated forms towards leaner and more flexible hybrid organizational forms, which are based upon cooperative and close relationships among formally independent organizations in the supply chain (Powell, 1987). These new organizational forms extend the benefits of both open markets and formal organizations to firms (Scott, 1998). Supply chain partnerships or strategic alliances in the supply chain are one of the most popular hybrid organizational forms. They provide both large and small firms with numerous opportunities to improve their conduct of business such as wider diffusion of products without costly physical presence in the markets, risk and reward sharing, resource pooling, reduction in coordination and transaction costs, ability to concentrate on core competency, rapid response to market needs, and access to additional assets and markets (Monczka et al., 1993; Helper and Sako, 1995; Ellram and Hendrick, 1995; Bensaou, 1999).

We are witnessing a transformation in the way most industries are organized as firms are increasingly linked to their suppliers and customers inextricably throughout the entire value creation process, i.e., from conception and design to the very end of getting products to the end customers and often re-cycling activities post use. The augmented global business activity and rapid technological innovation has established the need for collaboration between member organizations in a supply chain as a necessary competitive requirement (Teece, 1992). A geographically wider diffusion of products and services is often necessary for viability of high investments required in research and development of products and/or services. As more and more firms subscribe to the practices and philosophy of supply chain management to face new

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1 The terms strategic alliance and supply chain partnerships are often used synonymously in the supply chain literature. However, the scope of the term strategic alliance is much broader. It captures many forms of inter-firm cooperation that goes beyond market transactions than just those in the context of supply chain.
competitive requirements, a firm’s ability to successfully form, nurture, and manage supply chain partnerships becomes a key factor that influences the gap between outstanding and mediocre supply chain performance (Spekman et al., 2001). This trend has been increasingly fueled by recent developments in advanced information technologies applications, which have enabled innovative organizations to successfully integrate their business processes with other supply chain partners and as a result significantly reduce costs in collaboratively executing key business processes such as new product development. However, there is a wide gap between executive intent and achievement of firms, which reflects the novelty, scale, and complexity of the change being attempted, especially when most of the strategic benefits of supply chain partnerships are long term and rewards increase over time (Graham et al., 1994). For example, Park and Ungson (1997) report that there is a high rate of midstream dissolution of supply chain partnerships. In another survey, less than half of the 100 responding firms considered themselves to be successful in implementing supply chain partnerships (Boddy et al., 1998).

Supply chain partnerships are living systems which evolve progressively in their possibilities (Kanter, 1994). Typically, a company forming a partnership with its suppliers and/or customers forces a change in relationships, expectations, and job descriptions. Partnering, however, is only a means of organizing for inter-firm collaboration; it does not assure that the performance objectives for building partnerships, such as operational excellence can be automatically realized. Firms need to adapt their practices, skill-sets, infrastructure, and management to the changes, and continuously improve them over the lifecycle of the partnership to realize the partnership performance objectives. The departments and functions in partnering companies need to work with each other in evaluating inventories, systems, processes, new technologies, training, work methodologies, equipment utilization, and a host of other opportunities to reduce the cost of operations and explore opportunities for the partnership. However, little research is available which focuses on the issues in managing supply chain partnerships once they are formed. We find that not many researchers have focused on post implementation issues, which are extremely important for realizing business value. Most of the studies available are limited by their scope and focus only on a particular issue or few issues in managing supply chain partnership. Individual issues are extremely important, but firms need to balance their focus and manage the issues arising over the lifecycle of partnerships equally well for realization of potential benefits of partnering.

The focus of this paper is to develop a process theory framework for managing supply chain partnerships over their lifecycle from initiation to success. The theoretical foundation is based upon a particular emergent process theory designed by Soh and Markus (1995) to explain how investments in innovative organizational initiatives create (or fail to create) business value. We model the “partnership formation to business value” process as a series of four linked models that correspond to the phases of typical partnership lifecycle: foundation, implementation, shakedown, and onwards and upwards (Figure 2.). While the first three phases of the framework have been captured in most of the lifecycle models, we find that previous research has not looked into the fourth phase, which is one of the most important in realizing business value. Partner organizations, after having come to know each other well enough and having established partnership assets, can considerably amplify the gains by using the partnering infrastructure to exploit new innovative ideas not in the scope of the initial partnership agenda. The framework provides a broad roadmap for managers to pursue optimal success in supply chain partnerships. It conceptualizes optimal partnership success and highlights the critical issues faced by managers over the lifecycle of partnerships in realizing optimal success. The next section discusses our definition of supply chain partnerships. In section 3 we briefly review the literature on supply chain partnerships. Section 4 describes the model and Section 5 presents our conclusions and recommendations for further research.
2. Supply Chain Partnerships

Historically, firms arrayed along a value stream in the supply chain maintained arms-length relationships with an operative assumption that both sides would take advantage of each other. Competitive advantage was considered a distributive game (e.g., Williamson, 1975; Porter, 1980). In the 1980s, a shift occurred in management thinking and the focus of conceptual strategy research on inter-firm relationships. Firms increasingly began to focus on managing the supply chain; as a result relationships in the supply chain, which were simple when they just involved processes for exchange of commodities, became increasingly complex. Business trends in the 1990s, such as shortening product lifecycles and greater product variety and complexity augmented the need for supply chain management (Kopczak and Johnson, 2003). The collaborative ties between the manufacturers and other upstream and downstream members of the supply chain became a means of attaining competitive advantage. Inter-firm relationships, which have always played a critical role in managing the uncertainties of the commercial exchange process, now took a new and enhanced role in modern times with the development and increasing popularity of hybrid organizational forms such as supply chain partnerships for collaboratively executing some of the key value creating processes.

Rackham (2001) states that successful partnerships radically redefine a business relationship by creating new value that could not be achieved within the existing vendor/customer roles. They have played a vital role in restructuring efforts of many modern companies to enhance performance. Consequently, partnership between organizations in the supply chain has been strongly recommended by many academics and practitioners alike. Surprisingly, the concept of partnerships in the supply chain and its exact nature is only poorly understood; few studies have looked into the meaning of supply chain partnerships (Lemke et al., 2003). The term supply chain partnership is often used as a “buzzword” in industry that is widely used but rarely in the same sense. Simple buyer supplier relationships may evolve into more formal partnerships with a constellation of agreements typified by commitment between the buying and supplying organizations to reach a common goal or objective that involves a pooling of resources and activities (Teece, 1992). On the other hand, proclaimed partnerships formed with a lot of executive and media attention can wane into ordinary relationships.

The definitions of supply chain partnerships used in many studies focus on what they achieve (e.g. Landeros et al., 1995) or rather vague concepts such as “meeting of minds” (Ellram and Hendrick, 1995), rather than identifying specific attributes. Supply chain partnerships are resource-intensive investments, which involve both financial and strategic risks. Commitment in these relationships tends to be higher; the partners tend to develop joint activities in many functions; operations often overlap; and the relationship causes substantial changes in each partner’s organization. We adapt the definition of supply chain partnerships used by Underhill (1996) for the purpose of our research. The definition is focused on the collaborative nature of the relationship, and the ongoing linkages between partnering firms. We define supply chain partnerships as a strategic coalition of two or more firms in a supply chain to facilitate joint effort and collaboration in one or more core value creating activities such as research, product development, manufacturing, marketing, sales, and distribution with an objective of increasing benefits to all partners by reducing total cost of acquisition, possession, and disposal of goods and services.

Focus of the partnership between organizations could vary from case to case. We find that scope of partnership linkages can also be used to categorize the partnerships. For example, in many organizations supply chain partnerships may be just focused on coordination issues to control waste, while in others they may take a higher-level approach by focusing on better resource utilization or a further higher level by using the partnership resources for innovation and
creating enhanced value for the end customer (Figure 1.). The higher order relationships (innovation link) are more holistic and proactive. They may subsume characteristics of the lower order relationship and involve active participation of key functions of the partnering firms (design, manufacturing) than just boundary spanning areas such as purchasing.

Figure 1. Partnership Hierarchy

![Partnership Hierarchy Diagram]

3. Theoretical Background

Research and knowledge base on supply chain partnerships has grown at a rapid rate driven by the increased use of partnerships in practice. However, most of the literature addressing supply chain partnerships is largely anecdotal in nature. Few researchers have made conscious efforts around theory building. For example, Landeros and Monczka (1989) ground their research in Porter’s theory of competitive strategy, exploring how purchasing can support cost, differentiation, and mixed strategies of the firm through supplier relationships. It still remains for researchers to establish how partnerships should be pursued in practice, and how various issues identified by research may effect management of supply chain partnership. A number of recent researchers have tried to support conceptual research with empirical evidence. However, empirical investigation of supply chain partnerships is an increasingly difficult task that is further complicated as the research is spread across a number of areas of management (one can find the various aspects of relationships being addressed in organizational theory, strategy, marketing channel relationships, supply chain management, and inter-firm technology transfer literature). On a review of the existing literature we find that the researchers on supply chain partnerships prominently take the directions listed in table 1. Very few studies have focused on process issues of managing partnerships. Even when process issues in managing supply chain partnerships have been explored in the research, efforts have not been comprehensive.

Table 1. Research Directions in Supply Chain Partnerships

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<td>8. Problem Resolution</td>
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Supply chain partnerships represent a departure from traditional adversarial or arm’s length relationships, which allowed very little flexibility for collaboration and/or outsourcing strategic activities such as design, development, and manufacturing (Hoyt and Huq, 2000). Forming and managing supply chain partnerships is a complex example of organizational innovation and change management. Partnering firms not only adopt newer and innovative ways of working but also embrace the various changes in the organizational norms, skill-sets, infrastructure and strategy to make those new ways work. An organizational innovation process that includes the development of complementary business and human resources is important in drawing competitive advantage from an innovative organizational initiative such as setting up a supply chain partnership (Teece, 1992). Two broad approaches are commonly used in the literature for study of organizational behavior in general, and of innovation adoption in particular: the variance theory and the process theory (Mohr, 1982). In the variance theory approach the investigator attempts to identify characteristics of the organization, the environment, or the factors that lead to organizational adoption of innovations (Dean Jr., 1986). While variance theory excels at explaining variation in the magnitude of certain outcomes, it tends not to do so well when the outcomes are uncertain as in the case of supply chain. By contrast, process theory approach studies the events and behaviors occurring within an organization that is considering an innovation while maintaining that the environment is dynamic and uncertain. It provides powerful explanations even when necessary causal agents cannot be demonstrated as sufficient for the outcomes to occur.

We rely on the emergent process theory to develop our framework as it combines managerial goals and actions with external forces and chance, which makes it useful to practitioners. More specifically, we build our framework on a particular emergent process theory designed by Soh and Markus (1995) to explain how investments in organizational IS initiatives creates (or fails to create) business value based on emergent process theory. Soh and Markus (1995) link three models that correspond to the phases of investment conversion, use, and ongoing operations to build their framework (Figure 2.). Markus and Tanis (2000) further extend Soh and Markus’’s theory in the context of their work on enterprise systems.

3. The Framework

This section describes the proposed framework for supply chain partnership success. We first address the key question the framework is designed to answer: What is success in Supply Chain Partnerships? Then the framework is developed, its phases are described and critical management issues in those phases are discussed.
Optimal Partnership Success

Success is the key outcome of interest in organizational initiatives such as supply chain partnerships. However, people can use a number of different legitimate definitions for success; for example, one can define partnership success in terms of formation (did the company succeed in getting the partnership running within some reasonable budget and schedule?) or in terms of business results (did the company succeed in realizing its business goals for the initiatives?). Success looks very different when examined at different points in time, or different dimensions, or from different points of view. The foregoing discussion makes it clear that the success (or failure) of supply chain partnerships is a multidimensional and relative concept. It is relative, first, to the time at which it is assessed. For example, a partnership that gives competitive advantage today may not do so tomorrow when competitors catch up, and maintaining the formerly successful partnership becomes an added cost of doing business.

Second, success is often judged relative to the organization’s unique goals for the partnership. Two organizations with identical improvements in inventory carrying costs can be judged successful in different ways if the first organization’s goals were to improve only its inventory management (more successful than expected), and the second organization’s were to achieve an increase in market share (less successful than expected). At the same time, a company’s goals, taken alone, make a poor standard against which to judge success. A company’s goals may be insufficiently ambitious if they are compared to the inherent capabilities and how well the organization needs to perform given its competitive position. For example, a company that is losing its market share because it cannot promise improved products to market quickly would be short cutting its objectives if it adopts partnerships with key suppliers solely to
solve the inventory management problems. It would need to partner with suppliers so that concurrent product development capability for shortening the product lifecycle is also possible.

To accommodate the multidimensionality and relativity of success in organizational initiative from the adopting organization’s perspective, we define optimal partnership success as the best outcomes the organization could achieve with supply chain partnership, given its business situation, measured against a portfolio of project, early operational, and longer-term business results metrics. We adopt optimal success as the outcome variable for supply chain partnering process. The argument is not that one definition of success is inherently superior to another. Instead, we stress that executive leadership should selectively use a set of key questions framed using the perspective of their organizations’ and partnering objectives to estimate success. For example: What will be the pay off on partnership investment? Is the investment in partnerships paying off? How should the organization go about managing partnerships to achieve the partnership goals? What can the organization do to increase the chances for partnership success and avoid the risk of failure? Optimal success can be ‘far more or less’ than the organization’s goals for its supply chain partnerships. Furthermore, optimal success can be dynamic; what is possible for a partnership to achieve may change over time as business conditions change. Optimal success is a theoretical but useful abstraction because it “factors in” unintended positive and negative consequences of partnership adoption and organizational realities that are not fully reflected in the organization’s partnership goals.

**Optimal Partnership Success Framework**

We describe the “partnership formation to business value” process as a series of four linked models that correspond to the phases of typical partnership lifecycle: foundation, implementation, shakedown, and onwards and upwards (Figure 3.). The outcomes of one phase become starting conditions for the next. Thus, decisions and actions in a phase may subsequently increase or decrease the potential for optimal success. The framework contributes the following key points to the understanding of the success of partnerships. It argues that the necessary conditions for a successful outcome (e.g. creating high-quality partnership “assets”) are not always sufficient for success. Occasionally, a partnership on track for success can be derailed by an external event (e.g., competitors’ responses) or changing external conditions (e.g., recession). Furthermore, because each phase generally involves different groups of people, the framework directs attention to the communication difficulties that accompany the handoffs from one phase to the next. The framework draws the research attention to how, when, and why innovation investment is converted to favorable performance. This approach has not been taken in the literature so far (e.g., see Mulani and Machette, 2002). We also analyze the management issues highlighted in the literature based on their importance for successfully managing the conceptualized phases of supply chain partnerships (Table 2.). Our selection of critical issues is based on our own analysis of the existing literature and its support by previous literature.

**Foundation Phase**

The partnership foundation phase includes all the decisions and typical activities leading up to formation of partnerships. One possible outcome of this phase might be that the idea of partnering is abandoned as unlikely to provide business benefits. Or there might be a decision to proceed with the partnership with a sound or unsound business case. An example of an unsound partnership might be a decision to proceed with the partnership without ensuring the compatibility of partnering objectives. A strong foundation is a necessary but not sufficient condition for successful partnerships as success may also depend on success in subsequent phases such as implementation. The key focus in this phase is on selecting and screening the partners. Key players in this phase include the senior executives and various functional heads.
Critical issue faced by organizations in the foundation phase are primarily concerned with the complex decision of partnership selection, which can significantly improve the chance of creating a mutually rewarding partnership. Partnership selection (i.e. deciding to enter a partnership or not) is based on two sets of primary but critical factors: Determining Partnership Suitability and Determining Partnership Feasibility. Taken individually, each set of factors is necessary, but not sufficient, to warrant the costs and risks of establishing a partnership.

**Determining partnership suitability:** Determination of suitability of partnerships is primarily based upon the analysis of benefits and risks of the proposed initiative. Main considerations include nature of the partners and the value input they could provide (which can be used to establish whether they are suitable targets, e.g., ability to influence product quality, delivery, costs, customer service, and technology). The normative practices reported in the literature used by firms to determine partnership suitability is primarily based on economic drivers such as reduced costs or improved quality. In contrast, a number of research studies have demonstrated the importance of focusing on innovation as a key strategic driver for determining supply chain.

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**Table 2. Critical Issues**

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partnership suitability by using factors such as dynamism of input technology, criticality of the input, and forecasted technology discontinuities. The strategic drivers help firms analyze the short-term and long-term significance of the partnership for the supply chain’s competitiveness.

**Determining Partnership Feasibility:** Determination of partnership feasibility is based upon factors such as the level of trust that can exist between partners (which determines whether the partnership would be feasible, e.g., reputation, mutual goals, two way information sharing, social bonds and interdependence). A fit in political, cultural, organizational and human aspects of the partnering organizations make a partnership feasible and drive the economic gains from the partnerships. Characteristics of partnering firms such as adaptability to change and innovativeness are important for the success of the partnership given that a number of changes are associated with partnering feasibility. Alignment of strategic goals and expectations of the individual partners from the partnership is another key factor which could determine the feasibility of the partnership (Cullen *et al.*, 2000).

**Implementation Phase**

The partnership implementation phase comprises of activities intended to get the partnership up and running. Partners build relationship and physical assets in this phase and set up ground rules for working together. The involvement of organizations gets broader as more stakeholders from the partnering organizations get involved in the process. Key players include the partnership managers, project team members (including members of various business units and functional areas of both organizations who are responsible for designing and setting up the partnership activities), IT specialists, and consultants. Key activities in the implementation phase include building the physical infrastructure, process redesign, and integration. A large number of errors and problems can occur. Implementation teams may be staffed with inadequate representation; teams may lack requisite knowledge and skills; or training may be inadequate. In addition, the business conditions characterizing the foundation phase may have changed: the circumstances for one of the partners might have changed due to financial distress or other issues. A number of partnerships may be terminated in this phase due to schedule overruns or severity of technical and/or compatibility issues.

Critical issues in the implementation phase are primarily concerned with building partnership asset. Cullen *et al.* (2000) contend that in addition to making the investment in partnership-specific physical assets, partnering firms must also invest in building the relationship capital. Mutual trust and commitment are two components which form the relationship capital of the partnerships. A number of authors argue that creating mutual trust and commitment in supply chain partnerships are amongst the most critical issues for managers (e.g., Cullen *et al.*, 2000; Zaheer et al., 1998, Kumar, 1996). Critical issues in implementation phase include creating mutual trust, creating commitment, creating physical infrastructure and standardizing and integrating processes.

**Creating Mutual Trust:** Trust is the first major component of relationship capital. Trust is defined as the belief that the partner: 1) can be relied upon to fulfill obligations (Competence) 2) will behave in a predictable manner (Reliability) 3) will act and negotiate fairly when the possibility of exploitation exists (Goodwill) (Anderson and Narus, 1990). It is important for partnerships that trust is reciprocated; therefore we address it as mutual trust. Given that previously the relationships were strained and at arm’s length, creating mutual trust is a major challenge for partnering organizations. It is important that trust be carefully created and managed to support the partnership objectives.
**Creating Commitment:** Commitment is the second major component of relationship capital. In general, it is determined by the partner’s intention to continue with the relationship. Do the firms intend to stay in the relationship and put forth efforts for the relationship to succeed? Commitment, like trust, stems from economic and behavioral components and it grows with positive previous experience. Commitment can induce investments on innovations by partners, leading to enhanced core competence. A number of authors have studied ways to increase commitment in partnerships (e.g., Cullen *et al.*, 2000). Reducing the number of suppliers has been found to be one popular way of indicating commitment; it increases the ex post bargaining power of suppliers and thus increases their ex ante incentives to make non-contractible, relationship specific investments (Kanter, 1994). On the other hand, manufacturers could gain from a controlled and equitable relationship with more than one supplier.

**Creating Physical Infrastructure:** Providing an adequate infrastructure to support partnerships is a considerable issue in the implementation stage of partnership development process. Developing supply chain partnerships involves significant investment in partnership specific assets such as plants, warehouse locations or layouts and specialized facilities, and machinery and toolings. Firms need to invest in developing the infrastructure needed to support partnership goals and objectives. This process also involves a significant amount of time in understanding partner needs and capabilities in order to develop Complementary resources. Physical infrastructure provides the interface for managing the day-to-day issues in partnership value creation processes, hence it affects the quality of relationships and partnership outcome.

**Standardizing and Integrating Processes** Partnering organizations undergo a considerable amount of process reengineering to design new processes which blend their capabilities and remove redundant activities. This involves designing procedures for handling routine and unexpected events and building ground rules to specify how partners would share in rewards and risk associated with the partnerships. Given the number of differences in understanding the working style of people in partnering organizations, standardizing processes and integrating them is a critical, delicate, difficult, and time-consuming issue in partnership implementation. The process is further complicated by asymmetric distribution of various factors such as power in the relationship.

**Shakedown Phase**

*Shakedown* is the phase where partnering organizations come to grips with the partnering realities. The phase can be said to end when “normal operations” have been achieved. It is a critical phase as partners actually start to work in collaboration in this phase. People concerned in partnering organizations unlearn old ways and learn new ways of working. The partnering organizations discover by working together that their ideas differ in many ways. They need to figure out ways to understand those differences and manage them. The project (or consulting) team may continue its involvement or may pass control to operational managers and employees who fall in the scope of the partnership. Key activities include troubleshooting for partnership processes and resolving conflicts arising in stabilizing the partnership process. Errors committed in the prior phases are felt in this phase in the form of reduced productivity or business disruption, while new issues can also arise. The organization relies heavily on knowledgeable project team members who understand the partnerships well.

Critical issues in the Shakedown phase are primarily concerned with *Orchestrating Change and Collaboration*. The romance of new partnerships in the implementation phase soon gives way to day-to-day realities as partners begin to work together and actual projects get underway. Firms soon realize that the more radical the changes associated with partnerships are, the more difficult the task of orchestrating them is likely to be. Supply chain partnerships imply
changes to the social systems of at least two organizations, which also increases considerably the scope of resistance to change. Even though companies espouse implementing partnerships as a strategic priority, some staff may continue to act in the light of earlier priorities and structures. Building robust partnerships between companies requires the commitment of all people involved to collaboration. Many companies struggle to implement partnerships because they do not pay enough attention to change management and people issues (Christopher and Juttner, 2000). Although the process of partnering (how organizations create the new context) has received little direct attention, we can draw on the substantial literature on organizational change. Critical issues in managing orchestrating change and collaboration between partnerships include providing leadership, managing asymmetries in the partnerships, building partnership skills, managing conflicts, and managing performance.

**Providing Leadership:** Leadership commitment to supply chain partnerships process is essential for orchestrating the changes introduced by partnerships. Strong leadership can influence the mindset of the employees towards a partnership and thus play a key role in orchestrating the change introduced by the partnerships. If leadership is lacking, even a good partnership will fail on important issues such as contract management and scheduling. The result would be that the firm would not realize the full potential of the benefits of partnership. A strong leader has the ability to close the gaps in partnerships despite internal skepticism and external difficulties.

**Managing Asymmetry:** Asymmetries often occur in partnerships during formation and/or during the lifecycle due to differences in partner benefits, power, information, and culture. Asymmetries, if not managed properly, can aggravate the dissatisfaction of partners and the demise of trust in the relationship. Subramani and Venkatraman (2003) recommend safeguarding against asymmetries especially in the vertically oriented supply chain partnerships where buying or supplying firms are vulnerable to exercise of power by the more powerful partner.

**Building Partnering Skills:** As opposed to the traditional purchasing skill-set of product knowledge, tactical negotiation, and brinkmanship, which were key to success for the traditional arms-length contractual arrangement model for buyer supplier relationships, much wider skills may be required for managing partnerships in supply chain. Training employees in order to hone some of the key partnering skills is an important way for orchestrating change. Firms could enhance the partnership performance by training people for effective teamwork, better use of Information, enhancing Social skills, Interdependent Planning, and Problem Solving.

**Managing Conflicts:** Conflict yields a test of the strength of mutual benevolence and the dedication to work things out mutually. However, this can happen only when conflicts are managed properly. Managing conflicts is an uphill task given that partnerships do not have traditional means to rely on such as hierarchy in vertical relationships and exit option in markets. Mutual adjustment and organizational justice are the most applicable means which partnerships can use to develop conflict management procedures. Fairness in relationships or organizational justice theory can be another useful means for guiding conflict management. Fairness is perceived in different ways.

**Managing Performance:** Partnerships lead to greater interdependence between partners and this, in turn, extends the requirements for monitoring and managing performance for mutual benefits. However, developing and implementing a performance management system is a significant challenge given the duality in the constitution of a partnership, which represents two or more independent organizations. It is hard to formulate measures that would be sufficient for all the concerns of partnering organizations. Another point of complexity is added, as the metrics designed must address different dimensions (financial, technical, human) and different points of time partnership lifecycle (i.e., implementation, early operation, etc.). Partnering organizations
can use a multiple criterion method such as a “balanced scorecard” which allows the managers to create a balance of strategic measures oriented towards the partnership objectives.

Onwards and Upwards Phase

The onwards and upwards phase continues from normal operations until the partnership is abandoned. Partners discover that they have changed as a result of accommodating the ongoing collaboration. It is during this phase that the organization is finally able to ascertain benefits (if any) of its investment. Key players include partnership managers and managers and employees of functional departments involved in the partnership. Key activities in this phase include continuous business improvement, additional user skill building, and post implementation benefit assessment; these activities may not be performed at all in some cases. A common problem in this phase is the loss of knowledgeable personnel who understand the partnership dynamics. Several ultimate outcomes are possible in this phase. The organizations unwilling to undertake further improvements or advance partnering objectives may decide to close the relationship. On the other hand, a number of organizations may work together to find opportunities to use the relationship assets further by advancing partnering objectives and moving to higher levels partnership hierarchy or forming other associations with the partners in newer areas of business.

Critical issues in the onwards and upwards phase are primarily concerned with Continuous Improvement and Innovation. Rapid technological and environmental changes in today’s business environment make competitive positioning difficult to achieve or sustain for organizations. This provides an added incentive for firms to form partnerships (Baden-Fuller, 1995), but this very same reason can make them hard to manage over time as the value base of the partnership can shift or become obsolete. Supply chain partnerships must therefore focus on achieving continuous improvement and innovation once they are stabilized and normal operations are achieved. Given the investment it takes in building the relationship assets, firms could greatly benefit by focusing on effectively utilizing and nurturing the partnerships. Advancement of objectives and innovativeness of partners can enhance the value proposition and recharge the partnerships. Critical issues in managing continuous improvement and innovation in partnerships once they have stabilized include monitoring continued relevance, building upon partnership experience, and enhancing partnering capabilities.

Continued Relevance: Inkpen and Ross (2001) point out that excessive persistence with poorly performing partnerships often proves costly for both firms. Given the complexity in managing partnerships, managers are often not able to monitor the continued relevance of the partnership. High termination costs and emotional involvement of top executives (who find it as their favorite project) serve as exit barriers (Inkpen and Ross, 2001). On the other hand, firms could realize high returns by extending the use of relationship assets by advancing the partnership goals and objectives beyond the initial formation goals and objectives. It is therefore important that the relevance and value propositioned by partnerships is continuously monitored and improved.

Building upon Partnership Experience: The task of managing partnerships is difficult and there are added complexities when it is done on a global basis. However, managers can incorporate the learning from the partnership experience to improve the partnership performance. Once the partnerships have been established and normal operations are achieved, partners can use the experience gathered in working together to continuously improve the compatibility of their objectives and cultures. It calls for the leadership of both partners to initiate strategic action and program changes that lead to increased synergies in partnering objectives. Cultural compatibility increases as communication and interaction between partnering organizations increases with leadership actions towards increasing synergies. Promoting joint programs such as training that allows the partner employees to interact and learn in non-work settings can also systematically
induce a cultural fit. The experience of partnership can also be used to improve the integration and effectiveness of processes.

Enhancing Partnering Capabilities: The concept of the learning curve says that human activities typically show improvement when activities are done on a repetitive basis. While the partnering capabilities improve as the partnership matures with time, the partnership’s value proposition can be also be improved by focusing on improvement of partnering capabilities. Futrell et al. (2001) suggest that partners can improve the quality of partnership outcomes by continuously working on improving the strategic, operational, and cultural fit between partners. They suggest improvement can be aided if the partnering organizations can measure and benchmark where they stand as desirable partners viz. a viz. other firms in their industry.

5. Conclusion and Further Research

The prime benefit of the study is that it provides valuable insight on key issues in managing supply chain partnerships. Optimal partnership success is conceptualized and a framework for approaching optimal success in four broad phases is developed. A number of avenues for future detailed research can be identified based on critical issues explored in this study. A natural extension of this study could be to explore the critical issues identified empirically. The proposed empirical study would be helpful in validating the partnership success framework. Given the wide variation in organizations due to size, products, and sectors, specific studies of supply chain partnerships, which compare partnerships along these dimensions, will also be valuable for understanding the specific concerns. Empirical progress should also be made on the use of supply chain partnerships as a competitive weapon to establish and sustain advantages such as better cost structures, improved quality, improved margins, better speed in manufacturing and distribution, enhanced core competencies, and more extensive markets for products both within and across industries.

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