Practicality and Perception in Partner Selection: A Case Study of MASSA (China)

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December 20 2011
Overview

• 1. Alliances and smart partner selection
• 2. Critical factors in partner selection: theoretical formulations
• 3. Partner selection and forging alliances: case study in reality
• 4. Conclusion
Alliances and Smart Partner Selection

• As globalization progresses, world economic activities intensify and trade barriers fall, it becomes common, or even necessary for businesses to form strategic alliances with others as a way to extract greater value or build bigger empires.

• This means not only the era of ‘co-petition’ has arrived, but it is also a new approach to competition.
Alliances and Smart Partner Selection

• Yet it has also been well documented by scholars and researchers that many of these alliances in fact have suffered great instability, if not outright failures.

• For this reason, there has been growing interests in and research on smart partner selection issues, i.e., what to look for in a partner in terms of the characteristics best suited for forming alliances.
Alliances and Smart Partner Selection

- The assumption is that if we know how to select the right partners, a suitable alliance design can then be made, and the relationship will also be appropriately managed.
- Hence successful partner selection has been regarded as the most crucial step in business success.
Crucial Factors in Partner Selection

• There have been numerous theories on partner selection but most notably Dacin et al. (1997) suggested 5 key criteria for selecting the best partner:
  – Characteristics of the partner:
    • Unique competencies
    • Compatible management styles
    • Compatible strategic objectives
    • Higher or equal level of technical capabilities
Crucial Factors in Partner Selection

– Marketing knowledge capability:
  • Increase market share
  • Better export opportunities
  • Knowledge of local business practices

– Intangible assets:
  • Reputation, brand name, previous alliance experiences, skilled employees

– Complimentary capabilities:
  • Own managerial capabilities
  • Wider market coverage
Crucial Factors in Partner Selection

- Diverse customers
- Quality distribution system
- Degree of fitness:
  - Compatible organization cultures
  - Willingness to share expertise
  - Equivalent of control
  - Willingness to be flexible partners
- Shah and Swaminathan (2008), however, suggest the following key factors/partner attractiveness:
Crucial Factors in Partner Selection

– Trust:
  • Benevolence, amount of goodwill and honesty
  • Competence, or confidence that partners will carry out their role in a competent and dependable manner

– Commitment
  • Willingness to supply tangible resources such as money, people, skills and time to enhance the partnership
Crucial Factors in Partner Selection

– Complementarity
  • The degree to which one partner’s marketing operations complement the other’s

– Financial pay-off
  • Monetary output associated with the partnership
  • Termination costs and partner benefits

• However, Shah and Swaminathan (2008) also pointed out that in partner selection it is equally important for one partner to examine:
Crucial Factors in Partner Selection

– The context of the selection process. Especially in terms of:
  • The process manageability of the alliance
    – i.e., the degree of interaction, communication, coordination perceived to be required
    – Management time invested
    – Specific personnel involved
    – Individual energy invested
    – Emotional stress experienced
  • Outcome interpretability
    – The degree to predict/understand the outcome of the alliance
Crucial Factors in Partner Selection

• In other words, they argue that in selecting smartly a partner, it is not enough to just look at the attractiveness of a partner, but also the process manageability and outcome interpretability.

• In the end, they propose a contingency model that is best illustrated by the following diagram:
## Crucial Factors in Partner Selection

<table>
<thead>
<tr>
<th>Process Manageability (time, energy, personnel and emotional stress):</th>
<th>Outcome Interpretability:</th>
<th>Most Critical:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low (difficult)</td>
<td>Low (difficult to interpret)</td>
<td>Trust</td>
</tr>
<tr>
<td>High (easy)</td>
<td>High (easy to interpret)</td>
<td>Commitment</td>
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<td></td>
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<td>Financial pay-off</td>
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Case Study

• Master’s Program in Social Service Administration (China) at APSS (Applied Social Sciences), HK Polytechnic University
  – One year off-shore program of 30 credit points or 10 subjects offered jointly in China by HK PolyU and East China University of Technology (ECUT)
  – Taught by staff members from both universities (70% by the former and 30% the latter)
  – Totally self-financed – 80% costs borne by PolyU while ECUT was responsible for costs involved in publicity and on costs
Case Study

• The program leaders are from both universities
• The aim of the program is to provide training to the growing market in China for trained social workers to upgrade their skills and knowledge in administrating social services both in government departments and NGOs
• The market is seen especially promising as the Chinese government intends to increase the number of social workers in the country up to 2 million in a couple of years
Case Study

• Why the partnership?
  – The APSS has long been working in China since the discipline of social work was first introduced some 15 years ago
  – Not only scholarships were offered to lecturers in universities in China to complete their PhDs, students were also recruited from NGOs in China to study MSW (China) with scholarships
Case Study

• Over this period of time, APSS has developed a solid reputation as a world class trainer for social workers in China.

• It also has established 2 joint research centres with universities in China – one in Peking University and the other in Yunnan University.

• ECUT is also a key university in China with ambitions venturing into social work.
Case Study

• The partnership was initiated by PolyU with the aim to consolidate its position in China as a leading force in social administration

• The ECUT was interested in the partnership because it considered PolyU as a strategic partner to put their name on the social work map
Case Study

• However, there have been difficulties made complicated by the process of manageability and outcome interpretability

• Manageability:
  – Resources and costs
  – Finance procedures: taxation and transmission of profit
  – Personnel (China fatigue) and administration (Chinese government & cost covering policy)
Case Study

– Outcome interpretability

• Long negotiation affecting recruitment, resource allocations, over-budgeting and administration that in turn casts doubts in
• Trust (both personal and institutional)
• Complimentarity (redefing ‘core’ business and university/department priority)
• Commitment (reshuffling of resource investment and willingness to participation)
• Financial pay-off (shifting goal projection from ideal to pragmatic concern)
Case Study

• More importantly, *staff members* also have their own problems with the process manageability and outcome interpretability

• Manageability: language; time; student commitment; curriculum design; shelf life of the program

• Outcome interpretability: staff morale, non-financial pay-off
Conclusion

• Theory Vs Practice: context, stages and processes
• Rationality Vs Emotion: approach and orientation
• Objective Vs Subjective: construction and justification
• Criticality Vs Perception: implementation in reality
Conclusion

• Necessity for a Longitudinal Study
• Embracing cross-disciplinary approach: social science and international business
References


Thank You!