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INTERNATIONAL PARTNER MANAGEMENT IN THE SOFTWARE INDUSTRY

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ABSTRACT

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The purpose of this research is to describe how the scope of internationalization affects partner management in software companies. The effects are analyzed separately for small and large companies.

Partner management is described from three perspectives: who should manage partnerships, how they should be managed and how does the context affect the choice of management style.

Inductive case study is selected as research design. Eventually four case companies are chosen. The findings reveal that the size of the company affects the volume whereas the scope of internationalization affects the choice of partner management activities. Companies with high scope of internationalization required a more formal yet flexible management system whereas companies with low scope of internationalization relied more on the informal relations and personal management.

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Tämän tutkimuksen tavoitteena on tutkia miten kansainvälistymisen aste vaikuttaa kumppanuussuhteiden johtamiseen ohjelmisto-yrityksissä. Vaikutuksia analysoidaan erikseen pienissä ja suurissa yrityksissä.

Kumppanuuksien johtamista kuvataan kolmesta näkökulmasta: kenen tulisi hallita kumppanuuksia, miten niitä tulisi hallita ja miten konteksti vaikuttaa johtamistyyliin.

Induktiivinen case tutkimus valittiin tutkimusmenetelmäksi. Lopulta neljä yritystä valittiin case yrityksiksi. Tulokset paljastavat että yrityksen koko vaikuttaa kumppanuussuhteiden johtamismenetelmien laajuuteen kun taas kansainvälistymisen aste vaikuttaa menetelmien valintaan. Yritykset, joilla on korkea kansainvälistymisaste, vaativat muodollisempaa mutta joustavaa johtamistyyliä, kun taas yritykset, joilla on alhaisempi kansainvälistymisen aste, luottivat vapaamuotoisiin suhteisiin ja henkilökohtaiseen johtamiseen.

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TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES:

1 INTRODUCTION

Software industry is one of the most global industries in the world and many have argued that it is the one of the most important industries as well (Anselmo and Ledgard 2003, Aramand 2008, Bell 1995 and Harris, Aebischer and Klaus 2007). However, the track record in the industry is not great; the failure rate is high and the companies are offering poor results (Anselmo and Ledgard 2003, Sheremata 2002 and Zwikael 2008).

During recent years, various forms of partnerships have become more popular and the importance of networking has increased (Duysters, De Man and Wildeman 1999; Goerzen 2005; Ireland, Hitt and Vaidyanath 2002; MacAvoy 1997; Ring and Van de Ven 1994; Spekman, Forbes, Isabella and MacAvoy 1998). Software industry in particular has shown tremendous increase in the number of partnerships created (Rothaermel and Deeds 2006, Taylor 2005). There are many reasons for the growing popularity, among them global competition, shorter product life cycles, developing technology and the recent focus on core competencies (MacAvoy 1997). In fact, the popularity of international partnerships has also grown (Cavusgil 1998), perhaps even more than the overall popularity of networking.

However, many international partnerships lack systematic management (Cavusgil 1998) which is often the reason for their failure. Indeed, most partnerships fail in the long-term (Dyer et al. 2001), emphasizing the importance of good management.

Therefore it is important to study partner management, especially in the software industry. Because of the poor track record in international partnering, the international aspect of partnerships and partner management is of the essence of this research. The purpose of this first chapter is to describe the overall objectives and goals of this research and the means of achieving these goals. A preliminary literature review is also included to introduce the key issues concerning partner management.

1.1 Background

Software industry is arguably one the most lucrative industries in the world (Anselmo and Ledgard 2003, Aramand 2008, Bell 1995 and Harris et al. 2007) yet it is also a very risky industry, perhaps because software companies are usually less aware of their clients needs than traditional companies and software clients tend to expect more from software companies than from traditional companies (Antony and Fergusson 2004). In addition the whole industry is in constant change (Cusumano 2007) and this also affects the customer needs which also change constantly (Antony and Fergusson 2004) which in turn make it even harder to predict the customers' actions. All this makes managing in software industry a very challenging task.

It is quite clear that the importance of partnerships has grown alongside their popularity (Goerzen 2005; Poulymenakou and Prasopoulou 2004). Håkansson and Ford (2002) as well as Kelly, Schaan and Joncas (2002) argue that the main reason for partnering is that no company can survive in the complex business world alone, partnering is the only option. Companies should not however engage in partnerships just for the sake of it. Ireland et al. (2002) argue that partnerships create value only when they function more efficiently than if the function or resource is found within the company or acquired from the markets.

These partnerships can take many forms; they can be vertical or horizontal (Peng 2006). This study will focus more on the vertical partnerships, which can be either upstream or downstream. The benefits naturally vary between these two types of partnerships. Another aspect to consider is that partnerships can be a short-term solution (MacAvoy 1997) or a long-term strategy (Spekman et al. 1998). Whether the partnering is short- or long-term, it usually contains two or more companies who collaborate (Goerzen 2005) continuously (Taylor 2005) in order to pursue shared goals (Butler 2008; Taylor 2005). These companies share the benefits of the relationship but they also share the control (Taylor 2005), therefore the partnership is actually demonstrated in the daily actions and routines within the companies (Goerzen 2005). Many times the goals are opportunities that would otherwise be out of their reach (Teng and Das 2008). These opportunities can include for example reaching new markets (Segil 1998) or gaining new technology (Goerzen 2005; Segil 1998).

MacAvoy (1997) demonstrates that partnerships are always a combination of business and personal relations. Too often the personal aspect might be left into minor concern. In addition to these two contexts, partnerships can also be divided by three additional factors, according to Ireland et al. (2002), which are strategic, relational and operational context. Håkansson and Ford (2002) argue that the network is formed out of economic, technical and social dimensions, whereas Ritter, Wilkinson and Johnston (2004) describe it, as being formed out of other customers, competitors, complementors.

Partnerships are very complex and uncertain (Goerzen 2005; Rothaermel and Deeds 2006) and to add into this complexity, partnerships rarely exist in isolation. It is not enough just to have partnerships, but to select the correct partners from the network of companies surrounding your company (Duyesters et al. 1999; Håkansson and Ford 2002). More often than not improper partner selection will eventually lead to failure (Kelly et al. 2002).

Partnerships are indeed mostly used to gain access to additional resources, not found within the company (Dyer, Kale and Singh 2001; Ireland et al. 2002; Rothaermel and Deeds 2006). Especially smaller firms benefit from this additional resource aspect (Wu and Cavusgil 2006), since they have very limited resources and capabilities of their own. Engaging in partnerships therefore facilitates or might even be the requirement for growth (Kulmala and Uusi-Rauva 2005), since the company might not have the resources to grow on their own. As described above, the recent focus on core competencies is relevant in this sense. Companies, especially in the software industry, are choosing one of the two roles: integrator or specialist (Duysters et al. 1999). The core competence of the company can be either a special technology, skill and/or resource or it can very well be their ability to integrate the competencies of other companies. In fact, Ritter and Gemünden (2004) argue that the ability to establish and operate in functional networks of companies can be the core competence of a company. In addition the trend in the world has been to change from products to offering solutions (Duyesters et al. 1999). A company engaging in partnerships and focusing on their core competence will enhance their competitive position (Goerzen 2005) which in turn will increase their competitive advantage (Ireland et al. 2002; Segil 1998).

In addition to enhancing the positive aspects, partnerships can be used to minimize the negative. Many companies engage in various partnerships in order to reduce the risks (Peng 2006, Taylor 2005). In fact, partnerships can be used as a systematic way to cope with uncertainty (Spekman et al. 1998). This can be achieved in various ways. Firstly, companies engaging in partnership gain information and knowledge better than companies working alone (Goerzen 2005), which enables them to work more efficiently (Kulmala and Uusi-Rauva 2005). Secondly partnering allows the company to reduce the organizational costs (Goerzen 2005) whish in turn will increase the overall profitability of the company (Kulmala and Uusi-

Rauva 2005; Segil 1998). It must be noted however that even though the company benefits might be greater in the long-term, the short-term effects might be negative in some of the units associated with the partnerships. The company must have a plan on how to remunerate these units in order to keep the partnership interesting for all the parties involved. (Goerzen 2005)

As described above, most partnerships are very complex and require a lot of attention. However, many companies choose to avoid the complex relations and keep the partnership simple and without any kind of formal agreements (Goerzen 2005). Kulmala and Uusi-Rauva (2002) actually argue that engaging in partnerships can just be an attitude or habit, not a carefully thought strategy. While the more complex relations will require more attention and are more restricting, they will also be more meaningful according to Håkansson and Ford (2002). It is therefore a very difficult task to determine which of these two types of partnerships is better suited in the current situation. In addition, if the company chooses to engage the more complex partnering style, what does that actually mean? Even though the partner management as a concept has been in the interest of the academia for over a decade now, it still remains a very vague concept (Walter, Lechner and Kellermans 2008). Therefore it is essential to define what is the purpose and tools of partner management.

Nevertheless, if Goerzen (2005) and Segil (1998) argued that partnerships can increase the competitive advantage of a company, being able to manage them effectively will increase the advantage even more (Duyesters et al. 1999; Dyer et al. 2001; Ritter et al. 2004; Rothaermel and Deeds 2006). Ritter and Gemünden (2004) actually argue that companies should strive to develop their ability to operate through partnerships and in networks. In fact, as the trend recently has been to engage more and more in partnerships (Ireland et al. 2002), it is also affecting the way companies view their environment. Harvey and Novisevic (2002) argue that companies nowadays are changing their decision making processes to be more about integration and having a well functioning value chain, instead of solely gaining new customers and serving them appropriately.

Nevertheless, partner management is not an easy task (Rothaermel and Deeds 2006, Standifer and Bluedorn 2006) yet it is very crucial to do it efficiently (Harvey and Novisevic 2002; Ritter 1999; Spekman et al. 1998). In fact, all relationships should always be managed (Ritter et al. 2004). Partnerships are very risky (Delerue 2005; Dyer et al. 2001), mainly because the initial costs are high (Goerzen 2005) and the various kinds of partnerships require varying level of attention and knowledge (Rothaermel and Deeds 2006). In addition the track record for partnerships is not that good (Poulymenakou and Prasopoulou 2004; Taylor 2005), in fact many or even most partnerships fail in the long run (Dyer et al. 2001; Ireland et al. 2002; Segil 1998; Spekman et al. 1998).

This is the case with international partnerships as well (Cavusgil 1998). International partnerships contain companies from at least two different nationalities (Butler 2008) and their popularity has increased (Cavusgil 1998) maybe even more than the overall popularity of partnerships. Lassere (2007) also states that creating an effective partner network not only facilitates, but is an essential antecedent for a global presence. Sadly many international partnerships lack systematic management (Cavusgil 1998) which is often the reason for their failure.

A study on Finnish software companies was conducted a while ago on partner management (Ruokonen, Hätönen, Linqvist, Jantunen, Marjakoski and Hurmelinna-Laukkanen 2008a). This study was one of the first of its kind and the main focus of this study was on the management of partnerships. Ruokonen et al. (2008a) describe the partnering process in the software industry, starting from how to find new partners and finishing with how to manage their partnerships. They provide company managers a very effective list of tools on how to measure the effectiveness of their partners, how to maintain the profitable partners and how to end unprofitable relationships.

Ruokonen et al. (2008a) however state that even though their findings are relevant in the industry, partnering is always context related. Their study did not take the context into consideration, but rather remained at a very general level. The context-related issues that may have an effect on the partnering principles could contain some of these: (Ruokonen et al. 2008a)

– Main motivation for partnering
– Size, resources and capabilities
– Competition
– Type of product
– Target markets

This study focuses on the target markets aspect on the context-related issues. The main purpose of this study is to discover how the partnering and partner management change during the internationalization process of the companies, in other words when the company enters into new markets. This study will also pay attention on the effects of the size and resources of the company: In other words classifying the empirical data into small and large software companies. In order for the findings to be reliable the intention is to keep the other context-related issues fixed, focusing on companies who offer products which require some form of tailoring in order to be sold and who use strategic partnerships instead of ad-hoc.

1.2 Research Questions

The main research question for this study is “How do software companies manage their international partnerships?”

The sub-questions are:

1 What is partner management?
2 How does the size of the company affect partner management?
3 How does the scope of internationalization affect partner management?

The first sub-question is needed to clarify the concept of partner management. In order to find answers to the main research question, it is necessary to divide the software industry into small and large companies, since partner management is very often resource-dependent. Also, in order to understand the international partner management, the effects of the scope of internationalization need to be studied in more detail.

1.3 Literature Review

Partner management and partnerships in general have been in the interest of the academia for over a decade now. Much has been researched and written over the years from various perspectives. For the sake of this study, the main research has concentrated around the general concepts of partnerships and partner management. Such authors as Goerzen (2005), Harvey and Novisevic (2002), Ireland et al. (2002), Poulymenakou and Prasopoulou (2004), Rothaermel and Deeds (2006), Segil (1998), Spekman et al. (1998), Taylor (2005) and Teng and Das (2008) have studied partnerships and their management. Out of these Goerzen (2005) and Teng and Das (2008) have been more focused on the benefits of partnering whereas Harvey and Novisevic (2002) have studied the changes in partnering and partner management. Out of the authors perhaps Ireland et al. (2002) and Spekman et al. (1998) have had the widest interest in partnering. Both of the groups of researches have studied the overall purposes of partnering and the basics of partner management. But whereas Ireland et al. (2002) had a more international concern, Spekman et al (1998) have studied the cyclical nature of partnerships. The majority of research studies conducted, out of this group, however have been from the managerial perspective. Poulymenakou and Prasopoulou (2004), Rothaermel and Deeds (2006), Segil (1998) and Taylor (2005) have all studied how the theoretical concepts of partner management are transferred into the real world; what partner management consists of in practice. Their studies are indeed very useful for partner managers.

The second biggest group of studies is centered around the network approach on partner management. Even though this approach is partly dominated by Ritter, there are other researches as well. Where Ritter (1999) and his following studies (Ritter and Gemünden 2003; Ritter and Gemünden 2004; Ritter et al. 2004) concentrated on the network competence that companies ought to develop, other researchers have a more practical approach. Duyesters et al (1999) for example discuss the complexity of network and they list tools how managers could better keep track and manager their partnerships in a network. Freytag and Ritter (2005) also have some practical suggestions on how to better survive in the network.

Closely related to the network approach are the two studies conducted by Ring and Van de Ven (1994) and Håkansson and Ford (2002). Ring and Van de Ven (1994) have studied how relationships change over time and how that affects the management. Håkansson and Ford (2002) on the other hand researched how changes in the network affect the relationships and therefore partner management. In addition their study also studied the aspects of network on the partner management.

A few studies also researched the importance of partner manager in the management process. While MacAvoy (1997) lists some criteria on what it means to be a good partner manager, Dyer et al. (2001) emphasize the importance of having a partner management function. They do not specify whether it should be a sole manager or a team of managers, but they also describe what it means to manage partnerships, listing the key responsibilities of partner managers. Kale et al. (2001) emphasize the importance of prior experience and have another list of key tasks to be performed by the manager or management team.

A handful of studies have been conducted on partnering and partnership management in international context. Butler (2008) describes the effects of culture in the management process. Kelly et al. (2002) agree with the cultural aspect and continue to list other relevant issues in international partnering; however their results can also be interpreted in national context as well. Cavusgil (1998) set out to create a framework for international partner management. His findings can also easily be adapted in partner management in general, since when compared to the studies listed above, the findings are not that different. Therefore it could be argued that international partner management follows the same basic rules as ‘traditional’ partner management with some exception and additions.

Only a few studies examined the partnerships and partner management in the software industry. Ang (2007) studied the effects of culture and industry on partner management with various results. Kulmala and Uusi-Rauva (2005) briefly describe the partnerships in the software industry. Therefore it can be said that partner management in the software industry has not been very well researched (Taylor 2005).

In addition to the studies described above, various authors (Delerue 2005; Glaser 2005; Standifer and Bluedorn 2006; Walter et al. 2008; Wu and Cavusgil 2006; Zahra 2005) have briefly examined partnering or partnership management in their studies. Their contribution to the overall knowledge is minor, but still worth the mention.

1.4 Preliminary Theoretical Framework

The preliminary theoretical framework for this study can be seen in the figure 1. This is just a preliminary framework and a developed theoretical framework will be displayed further on.

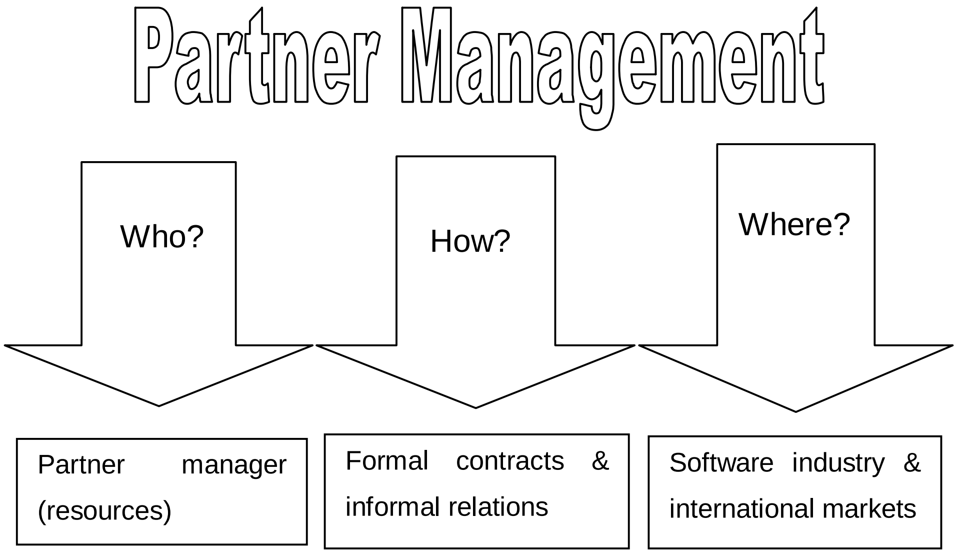


Figure 1. Preliminary theoretical framework

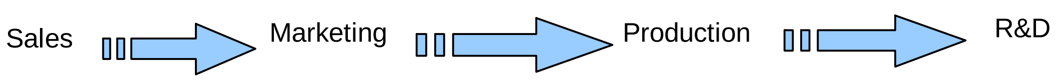
The main purpose of this research is to study how internationalization affects partner management in software companies. Before we can even hope to understand the effects of internationalization, we first need to define what partner management constitutes for. As Goerzen (2005) illustrates, the concept is still slightly unknown. This study begins from defining what it means and why it is necessary. Much emphasis is given to describing the benefits and requirements of a dedicated partner management function. Other key aspects of partner management – the stages of partner management and how it is actually done – are also analyzed in more detail. The final part aims to describe the context of partner management for this research, meaning the software industry and the international markets. The focus will be on the elements concerning partnering and partner management, but some general characteristics of the industry and the software solutions will be displayed as well.

1.5 Definitions

Partnerships are referred to in many terms. Lassere (2007) describes partnerships as “sharing of capabilities between two or more firms with the view of enhancing their competitive advantages and/or creating new business without losing their respective strategic autonomy”.
Most authors use the term alliance (for example Ang 2007), some use the term partner or partnership (Ruokonen et al. 2008a). Some talk about networking and networks (for example Ritter 1999). For the sake of this research, alliances and partnerships are interpreted to mean the same thing and will refer to those as partnerships, since that is the consensus among Finnish authors (Kulmala and Uusi-Rauva 2005; Ruokonen et al. 2008a; Ruokonen, Nummela, Puumalainen and Saarenketo 2008b). For some extent networking and using partnerships will be considered to mean the same thing, however it will be acknowledged that network management and partnership management are two different concepts, where the former constitutes of managing several or many partnerships and managing in a network of companies. Lassere (2007) also points out that partnerships can be either local or global.

The main focus of this research is on the effects of internationalization on the partner management. According to Lassere (2007) internationalization is defined by the geographical split of value chain across the world. The most common chain of internationalization can be seen in the figure 1.

Figure 2. Typical chain of internationalization (Lassere 2007)



This chain is also in line with Hollensen (2004), who states that in general the upstream activities, production and R&D, remain centralized whereas the downstream activities, sales and marketing, are the first to be decentralized in foreign countries. Luostarinen and Welch (1993) however argue that internationalization is “the process of increasing involvement in international operations” The viewpoint of Luostarinen and Welch (1993) is much broader, yet it actually consists of the arguments of Lassere and Hollensen. In fact Luostarinen and Welch (1993) state that both ends of the value chain are internationalized, which is more in line with the argument of Lassere (2007).

However, for the sake of this research, internationalization will refer to the number of countries the company operates in besides Finland. More precisely this research is interested in the number of countries the company has partner companies in.

1.6 Research Methods and Delimitations

According to Miles and Huberman (1994) qualitative research is mostly concerned in finding what things mean. The aim of this type of research is to define in which conditions certain behaviors occur and the results may not always be generalized. (Miles and Huberman 1994)

There are two ways to approach qualitative research: Deductive and inductive. According to Miles and Huberman (1994) deductive research design starts with a specific research criteria and categories whereas inductive research design will develop these based on the data at hand. Usually both designs are needed in order to create generalizable theory and it is suggested to always start with some preliminary concepts and questions, especially if you are less-experienced researcher. It is also advised to review the research methods and questions over the progress of the research to narrow down the pool of data, alter the analysis methods or extend data management. (Miles and Huberman 1994)

Qualitative research method suits this study well, based on the above description. The purpose of this study is to find how partner management changes during internationalization and based on the suggestions, qualitative research could provide answers to this. Therefore qualitative research is selected. The further progress of the study is divided into two parts. The first part consists of finding the previous knowledge on partner management; this is done via literature review, which according to Yin (2009) is an essential part of any case study. The key interests for this literature review are partner management and partner management in software industry.

The findings on the effects of internationalization on partner management are left to the second part: case study. Eisenhardt (1989) argues that case study is the best alternative when the purpose is either descriptive or theory testing. The purpose of this study is clearly descriptive. Eisenhardt (1989) and Yin (2009) argue that case study can have single or multiple cases, whereas Miles and Huberman (1984) state that case-oriented analysis consists of a deep analysis on one case which is then compared to other.

Miles and Huberman (1994) however agree that each case should be described in detail; detailed case study write-ups will enhance the knowledge about each of the cases (Eisenhardt 1989). However, having multiple cases will benefit the researcher. They allow the research to contrast the findings, determine how, where and why certain things happen and therefore form groups of cases. (Miles and Huberman 1994) Eisenhardt (1989) argues that cross-case pattern search consists of looking the data in various ways, and agrees that the purpose is to find similarities and differences. Miles and Huberman (1994) add that the purpose is to enhance the generalizability and deepen the understanding of the concept. Yin (2009) emphasizes the importance of a systematic approach to case study design. According to him the research should begin with clearly formatted research questions and a clear idea on what data to analyze, how to do it and what is the linkage to the theory generated in the literature review. He also emphasizes the importance of the interpretation of the findings. (Yin 2009) However, as this research is more inductive than deductive, the preliminary research questions will be reviewed alongside the further study on the empirical data.

The second part of this study is a case study. The preliminary data consists of 160 interviews conducted in 72 Finnish ICT-companies. This vast number of data is narrowed down with preliminary screening and data selection to a more sizable amount. The aim is to find eight to twelve companies for further analysis. The purpose of this research is to study the effects of internationalization on partner management in software companies and to compare the effects in companies with various sizes. Therefore the first data selection aims to select companies from the two size groups – small and large – and which have clear defined internationalization pattern. The presence of partner management procedures is also a merit for the company.

Then, these companies are further studied to find contrasts. The purpose is to portray a 2x2 matrix with one company in each cell. The matrix is as follows:

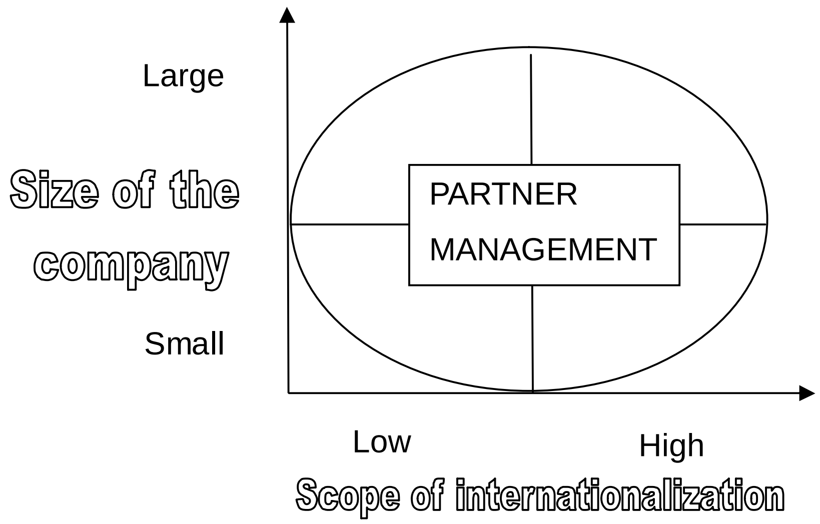


Figure 3. Preliminary data analysis matrix

The four remaining cases are then analyzed further. Even though the study design bears resemblance to deductive research design, it is very much inductive in nature. The data analysis matrix is derived from the preliminary study on the data available. The research commenced with certain preliminary research questions but they are altered once a further understanding on the data is achieved.

As mentioned above, this study focuses on the effects of internationalization on the partnering process and partner management. Therefore some delimitations are made to maintain the focus on that. This research will only include cases where partnering is viewed as strategically important for the company, therefore excluding those cases where partnering is more an ad-hoc activity. This allows us to really focus on the strategic role of partners and partner management within the company. Since this study will consider internationalization simply as a mere number of countries operated through partners, theories concerning internationalization will not be included.

In addition this research is going to study partner management only during the later stages of partnering. Therefore this research is not interested in the partner search and selection process, nor does this study the complex formation process of partnerships. Both of these are shortly described for each of the cases, but merely as descriptive nature, the theories concerning partner search and partnership formation and contracts are left out.

2. PARTNER MANAGEMENT

The purpose of this chapter is to illustrate what partner management actually consists of. We will first describe why companies ‘manage’ their partnerships and explain how this is actually done. This is followed by a brief introduction on the aspects of international partner management. The cyclical nature of partnerships is also very relevant in the management process and therefore it is briefly explained.

The partner management function - whether single manager or a management team - is very essential in the successful management of partnerships (Spekman et al. 1998) and therefore some attention is devoted on this concept. The challenges included in partner management will be discussed at the end of this chapter. The idea is to get a clear image on what partner management is and more importantly why and how it is conducted.

2.1 Partner Management: What Is It?

As described above, partner management is still an unclear concept. Ritter et al. (2004) wonder the same, “… the meaning of the term management, and the extent to which firms can and should try to “manage” their relationships and networks”. Therefore it is quite evident that in order to understand partnerships and networks, we first need to define what partner management is. Walter et al. (2008) commence by stating that partner management is more than just finding the right partner.

In fact, partner management is highly context-based (Ang 2007; Goerzen 2005; Håkansson and Ford 2002; Rothaermel and Deeds 2006; Segil 1998). Partnerships can only be understood in the context to other relations (Duyesters et al. 1999) since the partner company will always have other relations in addition to the one in question (Håkansson and Ford 2002; Ritter 1999). Therefore each partnership should always managed as a part of this network of companies (Duysters et al. 1999; Rothaermel and Deeds 2006) and managers should analyze their relative position compared to other companies in the network (Håkansson and Ford 2002). In addition to being a complex network of companies, Ritter (1999) also argues that the relations are made more complex and context-based by the fact that behind the company-facades are individuals acting with specific objectives, which may vary over time. Their actions are mainly dictated by how beneficial the partnership seems for the company and in some extent to the individual at hand (Ang 2007). Wu and Cavusgil (2006) argue that the management is made even more complicated by the fact that each company reacts differently to changes in the environment.

Therefore companies need to be rather flexible in this complex and context-related environment. Managers need to behave differently in different situations, quite often act in complete opposites. The following table compiles an example of different types of behaviors managers need to adjust while managing their partnerships.

Table 1. Contrasts in partnerships

Management behavior
Initiate vs. respond (Ritter et al. 2004)
Act vs. react (Ritter et al. 2004)
Influence vs. be influenced (Håkansson and Ford 2002)
Plan vs. cope (Ritter et al. 2004)
Control vs. be controlled (Håkansson and Ford 2002)
Lead vs. follow (Ritter et al. 2004)
Manage vs. be managed (Ritter et al. 2004)
Strategy vs. improvise (Ritter et al. 2004)
Force vs. adapt (Ritter et al. 2004)

As shown in table 1, managers need to adjust their behavior to the varying situations. Some situations may require a firmer hand and force the companies to assume a role of a leader and controller who force their own agendas upon others. Other situations may require a more subtle approach and companies are forced to cope with what they have got and adapt to the situation. The whole management is a process of “give and take”, as Glaser (2005) and Goerzen (2005) both state.

As stated, there are many conflicting behaviors partner managers and companies engaging in partnerships should follow. The reason for this is that there are various roles companies and managers can take in the networks (Harvey and Novisevic 2002). The role a company takes is dependent on their level of commitment and dependency on other firms. According to Ritter et al. (2004) there are three types of dependencies: non-equal, mutual or no dependency. Mutual or no dependency will most likely result in equal behavior between companies. In case of the non-equal dependency companies will more likely adapt either a leading or following position (Ritter et al. 2004). Goerzen (2005) encourages companies to strive for the leading position, since the central or leading company in a relationship will have a larger share on the benefits. This central company will also most likely guide and develop the relationship in the direction of their choosing whereas the other companies might be holding the development back (Håkansson and Ford 2002). Ring and Van de Ven (1994) however argue that unequal (imbalanced) relationships are more likely to fail than equal (balanced). In addition Kelly et al. (2002) argue that even if it takes time to adapt the roles of partners, it is necessary for the success of the partnership.

Because of this possibility of unequal division of effort, commitment and trust are very important in the nurturing of the partnership (Harvey and Novisevic 2002). Wu and Cavusgil (2006) actually argue that commitment has a direct effect on the performance of the partnership. Committed companies are reliable partners, their behavior is consistent (Harvey and Novisevic 2002) and other companies involved in the partnership can therefore trust them. Ireland et al (2002) agree in a sense, since according to them the trust two companies have for each other is based on their past and current behavior. Cavusgil (1998) argues that mutual trust can serve as a moral contract between two parties, before any formal agreements are made. Trust is therefore very important in partnering and as stated, companies should strive to be trustworthy. Since without trust, the relationship is doomed (Butler 2008).

One quite recent trend in partner management is the swift from short term profit to efficiency in the long run (Harvey and Novisevic 2002). Partner management is therefore about long-term actions (Cavusgil 1998; Harvey and Novisevic 2002; Walter et al. 2008) and the creation of long-lasting relations (Ring and Van de Ven 1994). This will lead to success in the long-term (Kale, Dyer and Singh 2001) as long-lasting relations are less likely to fail than short-term relations (Ring and Van de Ven 1994). Companies who are able to see beyond the individual transaction are better able to manage the relations in the long run (Harvey and Novisevic 2002).

In fact, partner management is above anything else about the complex actions trying to coordinate different activities (Cavusgil 1998; Kelly et al. 2002; Walter et al. 2008) between multiple partners (Kale et al. 2001; Rothaermel and Deeds 2006) effectively. The more partners you have, the more formal coordination and management methods you need to have (Ang 2007). Traditionally partner management has referred to actions taken to control what other actors in the network are doing (Freytag and Ritter 2005). However, Ritter et al (2004) argue that partner management is more about carefully (Håkansson and Ford 2002) managing and controlling the interactions, not the other actors. Management is an ongoing process of understanding and coping (Freytag and Ritter 2005) in the complex situation. Håkansson and Ford (2002) illustrate this even further by stating that rather than managing the network, companies should manage in the network. How does this managing in network differ from managing the network? The key point is to make sure that the partnership suits all participants (Håkansson and Ford 2002), that all the parties have a common view about the present stage of the partnership and where to go to (Ring and Van de Ven 1994). The key managerial action is therefore to help others to understand the partnership and the network surrounding it (Håkansson and Ford 2002), and especially the various benefits participating in the partnership will bring (Cavusgil 1998). According to Kotler and Keller (2006) network members need to be trained so that they are able to perform according to the values and expectations of the company. Cavusgil (1998) and Harvey and Novisevic (2002) agree on this, emphasizing the importance of training and support. Glaser (2005) adds to this by stating that part of the training should be devoted to emphasizing the complementary aspect of partnering over competing. Partners should be encouraged to work together instead of against each other (Ireland et al. 2002).

Cavusgil (1998), Kelly et al. (2002) and Taylor (2005) all agree that the key success factor for a successful partnership is the open and frequent communication between partners. Ritter and Gemünden (2003) argue that communication should be an integral part of the overall management process. Communication is essential in partner management; in fact problems in communication are the most common reason for failed partnerships (Kelly et al. 2002). It enables better information sharing, which is very important in the long-term (Goerzen 2005; Harvey and Novisevic 2002). In fact, Goerzen (2005) argues that managers should offer rewards to people and companies who discover innovative ideas. However, it is not enough only to share information, it is essential that this information is codified and stored for future usage (Ireland et al. 2002). Information sharing and storing benefits the network and therefore the individual companies operating in the network (Duyesters et al. 1999).

Overall, the success of a partnership is depending on both the formation and implementation (Taylor 2005), even though managers seem to overemphasize the importance of the structure and formation (Kelly et al. 2002). In fact, for the long-term success of the partnership, an open and systematic decision making process is far more important (Kale et al. 2001; Taylor 2005; Walter et al. 2008). However, the process can be developed only after the structure is formed and to create an efficient structure requires a lot of resource (Kale et al. 2001). Taylor (2005) clarifies that the partner management structure refers typically to creating a management function, meaning giving the right people time and power to act accordingly. The overall success of partnering is depending also on the availability of other resources besides personnel (Ritter 1999; Ritter and Gemünden 2003). Structure and management procedures may also refer to the different tools managers have to better understand their network of partners (Poulymenakou and Prasopoulou 2004) and to monitor and control it (Cavusgil 1998).

As a conclusion, the various aspects of partner management can be seen in table 2. As can be seen, partner management is indeed a very complex concept and requires a lot of thought and effort to be done correctly.

Table 2. Elements of well-performing partnerships

Element of partner management	**Description or implications**
Flexibility (Duyesters et al. 1999; Glaser 2005; Goerzen 2005; Håkansson and Ford 2002; Ritter 1999; Wu and Cavusgil 2006)	Changing situations require different methods
Leadership (Goerzen 2005; Håkansson and Ford 2002; Kelly et al. 2002; Ring and Van de Ven 1994; Ritter et al. 2004)	Partnerships require leadership, but companies need to also be able to adapt
Commitment (Harvey and Novisevic 2002; Wu and Cavusgil 2006)	Companies need to invest resources in their partnerships
Trust (Butler 2008; Cavusgil 1998; Ireland et al. 2002)	Being trustworthy lowers organizational costs
Long-term view (Cavusgil 1998; Harvey and Novisevic 2002; Kale et al. 2001; Ring and Van de Ven 1994; Walter et al. 2008)	Building an effective strategy requires long-term plans
Coordination (Ang 2007; Cavusgil 1998; Freytag and Ritter 2005; Håkansson and Ford 2002; Kale et al. 2001; Kelly et al. 2002; Ring and Van de Ven 1994; Ritter et al. 2004; Rothaermel and Deeds 2006)	Networks and partnerships consist of multiple companies and personnel and their actions need to be coordinated
Support (Cavusgil 1998; Glaser 2005; Harvey and Novisevic 2002; Ireland et al. 2002; Kotler and Keller 2006)	In order for partners to function appropriately, they need to be trained and constantly supported
Communication (Cavusgil 1998; Duyesters et al. 1999; Goerzen 2005; Ireland et al. 2002; Kelly et al. 2002; Ritter and Gemünden 2003; Taylor 2005)	The key for successful partnering is communication
Management function (Kale et al. 2001; Taylor 2005)	Companies should allocate human resources to manage their relations

2.2 International Partner Management

International environment is more complex than national environment due to cultural and regulatory differences as well as resource heterogeneity (Teng and Das 2008). The low degree of resource similarity increases the risks involved in international operations because of the lack of compatibility. The differences in regulations may cause challenges to international partner management as well (Butler 2008; Teng and Das 2008). However, the major element causing complexity in international environment is the cultural differences between companies (Kelly et al. 2002).

Butler (2008) describes that culture influences the way people communicate, how they interact and what is viewed important and Zahra (2005) argues that is too easy to understate the importance of culture on the above. Too often nationality and culture are linked, which may lead to disastrous results. Even though each nation has their national culture, sub-cultures may exist within one nation and they may vary greatly (Usunier 2000). Therefore managers need to pay attention not only to the national culture, but also the sub-cultures. Hence Cavusgil (1998) argues for the importance of cross-culture empathy. It is important to understand where partner companies are coming from (Ang 2007), since problems related to the differences in corporate and national cultures of the companies are quite often leading to failure (Kelly et al. 2002). It is almost as equally important to make sure that your own corporate culture is open enough for others to understand how things are done (Ritter and Gemünden 2003).

Learning about new cultures and their way of operations is time consuming and hard work (Ireland et al. 2002; Zahra 2005), therefore making the management of partnerships with companies from varying backgrounds a difficult task (Duyesters et al. 1999). Because of the added difficulty and need for special attention, transnational partnerships tend to be more formal than partnerships within one nation (Ang 2007; Teng and Das 2008). Therefore cultural differences actually increase the organizational costs (Kelly et al. 2002), which is actually the opposite to the objectives of partnering. Because of this international partner management is very crucial. Ireland et al. (2002) raise trust as one of the key elements in the success of international partnerships, mainly since it is harder to achieve than in national partnerships (Kelly et al. 2002).

The two most crucial issues concerning international partnerships and international partner management are shown in table 3.

Table3. Elements of international partnering

Element of international partnering	**Description or implication**
Cross-cultural empathy (Cavusgil 1998; Zahra 2005)	Understanding and respecting where other companies from different culture are coming from.
Trust (Ireland et al. 2002; Kelly et al. 2002)	Trusting your partner from different culture is very difficult, but extremely important.

2.3 Stages of Partner Management

As described above, networks are very complex. In fact they are facing constant change (Freytag and Ritter 2005; Ring and Van de Ven 1994; Spekman et al. 1998), especially in the more turbulent industries such as the software industry. Rothaermel and Deeds (2006) argue that the complexity only increases over time. Therefore the different management procedures should be reviewed periodically (Spekman et al. 1998) making the management an ongoing process (Ritter et al. 2004) while also making it very difficult to describe certain strategies on how to manage your partnerships.

Cavusgil (1998) however has managed to illustrate certain stages in partnerships. This study is going to focus more on the latter stages, but it is essential to be aware of the different stages, especially because of the changing and cyclical nature of partnering.

Spekman et al. (1998) describe the **early stages of partnering** as the visioning stage. This stage is anticipating the potential partnership in the future and the various tasks performed at this stage are meant to set up the stage for the partnership. Kale et al. (2001) list advocating to stakeholders and networking as such activities.

According to Rothaermel and Deeds (2006) the partner selection is done at this stage. Therefore, much of market research is also done at this stage, in order for the partner selection to be well-reasoned. Poulymenakou and Prasopoulou (2004) describe this as the description of the requirements for the partnership and therefore partners. Out of the 10-step systematic partnering cycle (Cavusgil 1998); the first six steps deal with the various partnership-initiation tasks. Poulymenakou and Prasopoulou (2004) agree that partnership initiation is one of the crucial stages in the life cycle of partnerships.

The **middle stages of partnering** concern the formation (Rothaermel and Deeds 2006) and commencement (Spekman et al. 1998) of the partnership. Spekman et al (1998) describe the formation as shaping of the alliance, consisting of negotiations (Glaser 2005) to clarify the joint expectations for the relationship (Ring and Van de Ven 1994). Most likely the actors also need to make compromises to reach common terms and governance modes for the alliance (Spekman et al. 1998).

According to Spekman et al. (1998) the negotiations are followed by resource allocation, meaning that the actors commit to the partnership. The commencement of the partnership is normally very challenging (Kelly et al. 2002) and requires therefore careful consideration and hard work.

The **later stages of partnering** are the core focus of this research. These stages consist of the actual management procedures (Rothaermel and Deeds 2006): coordinating, controlling and monitoring (Cavusgil 1998; Glaser 2005; Poulymenakou and Prasopoulou 2004; Spekman et al. 1998).

Cavusgil (1998) argues that companies should form explicit criteria to evaluate their relationships. These criteria should have strategic as well as operational aspects. More importantly it should evaluate the learning, growth and development over time (Cavusgil 1998). Most likely the relationships will change shortly after the commencement. The reality has struck (Poulymenakou and Prasopoulou 2004). At this point the companies need to stabilize the relationship (Spekman et al. 1998) and deal with the various conflicts that arise (Glaser 2005; Spekman et al. 1998). Over time the inter-role relationships will turn to inter-personal relationships (Ring and Van de Ven 1994) which is essential in order for the trust and commitment to flourish.

In addition companies need to fine-tune the relationship as time passes (Poulymenakou and Prasopoulou 2004). As companies get feedback from their customers, partners and internally (Cavusgil 1994) they might have to renegotiate parts of their agreement (Ring and Van de Ven 1994). All the parties involved in the relationship have certain plans for the future (Cavusgil 1998) and those plans affect the way they do business. Sometimes these plans may change so radically that after fine-tuning and monitoring, some party may find that the partnership no longer brings added value to the company. This is the final stage of the partnership and it is called partnership termination (Rothaermel and Deeds 2006).

As described above, partnerships evolve over time; therefore partnership governance should evolve as well. In fact, overly bureaucratic management styles will not work (Ireland et al. 2002) and will most likely result in too rigid structure which will not be able to adapt to the changes. Ring and Van de Ven (1994) stress the importance of the development of the relationships. Companies should periodically re-evaluate their partnerships and sometimes even reinitiate their relationships. In fact, managing successfully in the network environment requires change in the overall company strategy as well (Duyesters et al. 1999). Goerzen (2005) defines three time frames for decision-making: immediate, foreseeable future and undefined point in the future. The latter two require the change in company strategy, since most companies are accustomed to acting only in the presence.

As partner management requires constant re-evaluation and alteration in the strategy, experience in partnering is essential (Kale et al. 2001; Teng and Das 2008). Even though experience is not enough (Kale et al. 2001), more experienced companies will have better reputation and they will therefore be more trustworthy than inexperienced companies (Teng and Das 2008). Experience will also result in more successful management procedures as companies develop more successful methods and discard the less successful (Rothaermel and Deeds 2006). Cavusgil (1998) calls this learning while Kale et al. (2001) define this as improvement of practices. Nevertheless, companies should always strive to improve their relations and management methods (Kelly et al. 2002), because it will result in better and quicker problem solving (Kale et al. 2001).

2.4 Partner Management in Practice

The elements of partnering and partner management are described in the two chapters above. Next is described how the elements above are translated into practice, in the daily lives of partner managers.

Various analyses are required, both before the actual partnership has begun and also during the implementation process (Ritter 1999; Ritter and Gemünden 2003). Managers should evaluate their own performance (Ritter and Gemünden 2003) as well as the performance of their partners (Duysters et al. 1999; Kotler and Keller 2006) in order to succeed. The key issues managers should consider include the creation of value (Duysters et al. 1999; Ireland et al. 2002), the effectiveness of operations (Cavusgil 1998; Ireland et al. 2002), customer satisfaction (Segil 1998) and the relative importance to each company involved in the partnership (Ireland et al. 2002). To the benefit of companies, they do not have to do everything by themselves. Researching on how competitors and other companies have organized their partner network, e.g. benchmarking, might bring some new ideas on how to do it yourself (Freytag and Ritter 2005; Walter et al. 2008).

Analysis will get you only so far. Companies need to act based on their analyses (Ritter 1999; Ritter and Gemünden 2003; Ritter et al. 2004). One of the key issues described above was the control of the network (Kelly et al. 2002; Ritter 1999). Spekman et al. (1998) argue that control mechanisms should be created for the entire life cycle of the partnership. The control mechanisms may be structured to control the output of the relationship (Ritter 1999) or to provide inputs (Ritter et al. 2004) for the following stages of partnering (Ritter 1999; Ritter and Gemünden 2003). Taylor (2005) adds that in the case of uncertain partners, the importance of control mechanisms is even greater. This uncertainty may arise from some members in the network not performing according to the standards appreciated by the company (Kotler and Keller 2006). Segil (1998) states that in this case the frequent reassessment of the network will discover these partners and the company can take action. Wu and Cavusgil (2006) agree that companies need to have the possibility to alter the partnership over time, since in the beginning qualitative measures are more important to determine the potential of the partnership, but in the long-term quantitative measures will showcase the actual value of the partnership (Kelly et al. 2002).

In the case of many partners, it might become difficult to keep track on each of the partnerships, yet it is crucial to do so (Ritter et al. 2004) Therefore Duyesters et al. (1999) suggest that companies should create partner programs, or divide the partners into tiers as suggested by Dyer et al. (2001) and Segil (1998). With either the partner programs or partner tiers in place, the company can have a better overview of their partners, assign particular rules and benefits for each group of partners (Duysters et al. 1999) and also have a clearer idea on which partnerships to invest their own limited resources (Dyer et al. 2001; Segil 1998).

Segil (1998) also stresses the importance of management culture. The company should be open about their methods and also remember that in many cases they need to manage the co-opetition, since the companies involved in the partnership might work together in that partnership, but compete on some other areas. Taylor (2005) divides the management culture into formal and informal aspects. He adds that while some formality in the relations is good, the informal ties are the glue that holds the relationship together (Taylor 2005; Spekman et al. 1998). Spekman et al. (1998) argue that companies should include managers from every level in the company hierarchy in the partnership. Ireland et al. (2002) agree that parent firm managers should be included in the decision making process. Formal agreements and contracts are important (Spekman et al. 1998) but managers should strive not to encourage bureaucracy too much (Kale et al. 2001). Ring and Van de Ven (1994) state the roles of formal and informal contracts and ties will change over time, becoming more or less important when changes occur.

The key aspect of informal ties is the personal contact (Kale et al. 2001; Spekman et al. 1998; Taylor 2005). As described above, even though companies form partnerships, the relationship is always between people, not solely between companies. Partners should be given personal attention, preferably personal visits and face-to-face meetings (Cavusgil 1998; Hollensen 2004; Kelly et al. 2002). This way partners feel that they are appreciated and will more likely continue the relationship. Segil (1998) stresses the importance of open communication with the partners, especially in the beginning when trust is still weak. Kelly et al. (2002) emphasizes that internal communication concerning the partnership is almost equally important with external communication. Kale et al (2001) suggest forums and informal peer-networks as a way to communicate and inform internally. They also argue that managers should actually be trained in partner management and partnering, preferably companies should create formal partner management training programs for their managers to take part in (Kale et al. 2001).

Well-trained managers are more likely to become committed in the relationship. Spekman et al. (1998) argue that commitment is the key. Hollensen (2004) agrees, but also adds that commitment is also important from partners' side as well and that it is crucial to find ways to keep partners committed and motivated. Trust is an integral part of commitment. Personal relations increase the trust between companies whereas uncertainty about future reduces it (Ring and Van de Ven 1994). Taylor (2005) argues that partners should be given at least partial autonomy on their operations; mutual trust is required for this to happen. In fact, companies might have non verbal expectations from the partnership (Ring and Van de Ven 1994). Overall, the establishment of mutual trust is important in order to share information, especially tacit knowledge more easily (Ireland et al. 2002).

Information sharing is another crucial aspect of partner management (Cavusgil 1998). In order for the information to be properly shared, the managers need to first have good access to information (Spekman et al. 1998) and they need to be trained to capture information for reuse (Kale et al. 2001). The main focus is to learn from other actors within the company and in the network (Taylor 2005) while also protecting own knowledge (Ireland et al. 2002). The information gathered should be stored so it is easily accessed later (Kale et al. 2001). According to Duyesters et al. (1999) different kind of databases are an excellent way to store and share information. Based on past experience and this stored information, companies are able to create different kind of tools, such as manuals and templates, for various situations within the life cycle of partnerships (Kale et al. 2001; Segil 1998). This will eventually lead to codified routines (Rothaermel and Deeds 2006) making the comparison of different governance modes a lot easier (Freytag and Ritter 2005).

Taylor (2005) argues that a separate management function is necessary for successful partner management. This might not always be the case, but nevertheless the company should allocate personnel to manage their partnerships (Ritter and Gemünden 2003; Ritter et al. 2004). The company should take care of other resource allocation as well (Ritter and Gemünden 2003) since commitment arises from the investment of resources.

In this chapter were described some practical partner management issues. These are compiled in the following table 4.

Table 4. Partner management activities

Partner management activity	Purpose or benefit of the activity
Analyses (Duyesters et al. 1999; Freytag and Ritter 2005; Ireland et al. 2002; Kotler and Keller 2006; Ritter 1999; Ritter and Gemünden 2003; Segil 1998)	Provide inputs for further actions and decisions
Reassessment of partners / control (Kelly et al. 2002; Kotler and Keller 2006; Ritter 1999; Spekman et al. 1998; Taylor 2005; Wu and Cavusgil 2006)	Keep the relations "healthy" and profitable
Partner programs / tiers (Duyesters et al. 1999; Dyer et al. 2001; Segil 1998)	Overview on large number of partners, also relative importance of each partner
Formal contracts (Ring and Van de Ven 1994; Spekman et al. 1998; Taylor 2005)	Efficiently reduces risks in uncertain partnerships
Cross-functionality (Ireland et al. 2002; Spekman et al. 1998)	Faster decision-making process
Personal contacts / communication (Cavusgil 1998; Hollensen 2004; Kale et al. 2001; Kelly et al. 2002; Segil 1998; Spekman et al. 1998; Taylor 2005)	Informal ties are the glue that holds the relationship together
Internal communication / training (Kale et al. 2001; Kelly et al. 2002)	Increases internal commitment
Commitment / trust building (Hollensen 2004; Ring and Van de Ven 1994; Spekman et al. 1998; Taylor 2005)	Motivate the partners into better performance
Sharing information (Cavusgil 1998; Kale et al. 2001; Spekman et al. 1998; Taylor 2005)	Learn from past experience and the experience of others
Codified information / tools (Duyesters et al. 1999; Freytag and Ritter 2005; Kale et al. 2001; Rothaermel and Deeds 2006; Segil 1998)	Development of "best practice"-performances

2.5 Partner Management Function

Goerzen (2005) argues that a separate unit should be formed to oversee partnerships. This allows better understanding of the partnerships and network surrounding the company (Goerzen 2005). According to Ring and Van de Ven (1994) the partnerships are formed between companies, and that individuals only act as agents for their respective companies. Therefore partnerships actually require the attention of the company as a whole in addition to the people assigned specifically to manage the partnerships (Ritter and Gemünden 2003). For example, the role of the top management in partnerships is to act as initiators and evaluators (Duyesters et al. 1999) and to make sure that the right people are given the power to act (Taylor 2005).

In the following chapters we will first describe the two management function options companies have: partner manager and management team. We will finish with a short description of the tasks that are specifically the responsibilities for partner managers.

2.5.1 Partner manager

Partner manager is the less-costly choice of the two functional structures for partner management. It is a common perception in the academia that partner manager is critical for the success of partnerships (Goerzen 2005; Harvey and Novisevic 2002; MacAvoy 1997). In fact, partner manager can be viewed as a valuable asset adding to the competitive advantage the company possesses (Ireland et al. 2002).

Partner manager is the person assigned with the responsibility over the partner performance (Goerzen 2005; MacAvoy 1997). Partner manager attention is crucial (Taylor 2005) to increase the commitment for the partnership (Cavusgil 1998) and to increase the commitment of the managers themselves; they should have partner performance related awards (Segil 1998) to increase motivation. Because of the importance of managers, the turnover should be minimized to minimize organizational costs and to increase commitment (Kelly et al. 2002).

In the following table are listed some requirements and qualifications partner managers should possess or strive to gain.

Table 5. Partner manager "requirements"

Partner manager requirement	**Description or implications**
Experienced (MacAvoy 1997; Ritter 1999; Ritter and Gemünden 2003; Spekman et al. 1998)	Managers need to have the basic line manager skills, but also experience in partner management
Able to learn (MacAvoy 1997; Spekman et al. 1998)	Managers will grow into the role
Creative (Spekman et al. 1998)	Managers need to be able to come up with new ways of doing things
Leader (MacAvoy 1997; Spekman et al. 1998)	Managers need to be able to lead
Trustworthy (Kelly et al. 2002; Spekman et al. 1998; Taylor 2005)	Managers are the key in building trust and must hence be trustworthy
Flexible (Cavusgil 1998; Harvey and Novisevic 2002; MacAvoy 1997; Segil 1998; Spekman et al. 1998; Taylor 2005; Teng and Das 2008)	Managers need to be flexible in the face of change. They need to have a long term orientation
People skills (Håkansson and Ford 2002; Ireland et al. 2002; MacAvoy 1997; Ritter 1999; Ritter and Gemünden 2003; Spekman et al. 1998)	Managers need to be able to act in the network and convince others to perform in a certain way

The first and foremost important requirement for a partner manager is that they have experience (Ritter 1999). General business knowledge and operational skills are needed according to MacAvoy (1997). Ritter (1999) adds that partner manager or at least the company behind the manager should have the required technical skills to understand the environment. In addition there should be some sound economic skills present for accurate pricing as well as legal skills to understand what can and cannot be done (Ritter 1999; Ritter and Gemünden 2003). However Spekman et al. (1998) argue that partner manager should not just be a line manager promoted for the position. It is important to have experience in partnerships and partner management or at least know why partner management differs from operational management. Ritter (1999) in fact argues for the importance of the knowledge the manager has about the other actors in the network. Hence, partner managers need to be able to learn from their experience (MacAvoy 1997; Spekman et al. 1998). MacAvoy (1997) argues that the most important things cannot be taught and managers will eventually grow into the role. Spekman et al. (1998) raise the issue of innovativeness in partner management. Partner managers need to be creative enough to come up with alternative ways of doing things almost on a daily basis, because of the constant change in the networks.

Spekman et al. (1998) define partner manager as a leader. The key task of partner managers is to build trust (Kelly et al. 2002) and this is done mainly by being trustworthy themselves (Dyer et al. 2001; Spekman et al. 1998). Building trust takes time (Taylor 2005) but successful partner managers will have earned the credibility and respect from their subordinates, superiors and partner companies (MacAvoy 1997).

Partner managers need to remember that building relationships and making partnerships takes time (MacAvoy 1997) and therefore patience is a virtue in partner management (Cavusgil 1998). Partner managers need to balance between being flexible (Harvey and Novisevic 2002; Segil

1998; Spekman et al. 1998; Taylor 2005) and creating stability (Teng and Das 2008). MacAvoy (1997) argues that much of partner management is also actually anticipating what might happen. Håkansson and Ford (2002) add that it is not enough just to anticipate, but also convince other actors in the network about the chance, since nothing really happens unless everyone agrees. Therefore people skills become crucial, as MacAvoy (1997) and Ritter and Gemünden (2003) point out. Partner managers need to search for new contacts continuously (MacAvoy 1997; Spekman et al. 1998) and be able to negotiate with them effectively (Håkansson and Ford 2002; Ireland et al. 2002). Partner managers are also faced with conflicts and they should be able to manage them with care (Ritter 1999) Ireland et al. (2002) stress the importance of reciprocity in partner management.

In conclusion, as stated above, partnerships are built between companies and relationships between individuals. Partnerships are always more important than individuals (Segil 1998) and therefore partner managers can be changed from time to time in case of personality conflicts or such (MacAvoy 1997). However, as Ring and Van de Ven (1994) point out, if the manager is changed, the relationship needs to be formalized prior to this in order for the transition to work.

2.5.2 Management team

Instead of having just one partner manager, a company could create an entire partner management function (Dyer et al. 2001) or partner management team (Kale et al. 2001). However, this type of function requires a lot of time and resources to create (Dyer et al. 2001) and it is therefore not suitable for entrepreneurial ventures (Rothaermel and Deeds 2006) or small companies.

Nevertheless, if the company has the required resources and the function would bring added value, there are still certain issues on how to create the function. Dyer et al. (2001) suggest that the function should be organized around the key strategic parameters – key partners, industries, business units or geographic – of the company and so that searching information is as easy as possible.

2.5.3 Management responsibilities

What are the responsibilities of partner management function? Being qualified for the job is not enough; the manager needs to also act (Ritter 1999; Ritter and Gemünden 2003). The responsibilities are very similar to the partner management issues concerning the whole company, but there are various differences as well. Overall, partner managers should participate in the strategic decision-making within their company (Dyer et al. 2001).

The main responsibility for partner managers is to coordinate all partner related functions (Dyer et al. 2001; Kale et al. 2001; Ritter 1999; Ritter and Gemünden 2003). It all starts with finding the right actors and bringing them together (Ritter et al. 2004). After this the manager can allocate resources in order to satisfy the expectations of their superiors (Ireland et al. 2002; Kale et al. 2001). Partner management function makes it easier to first of all find the required resources – internally or externally – but also to put them into use (Dyer et al. 2001; Ritter 1999; Ritter and Gemünden 2003).

Another key responsibility for managers is to control the partnership. There are various control mechanisms managers could use (Teng and Das 2008) to monitor and evaluate their partners’ performance (Dyer et al. 2001;Kale et al. 2001; Ritter et al. 2004). Therefore partner managers are the first to realize if something is not going according to plan and it is easy for them to intervene (Dyer et al. 2001).

Partner manager is also a very obvious and easy access point for partners. Therefore it is essential that the partner manager is the communication liaison between the partner and the company (Ritter et al. 2004). By having this well performing management function, companies will increase their external visibility, which in turn will increase their reputation leading to increased value of partnering with the company. (Dyer et al. 2001)

Partner managers are also responsible for making sure that information and knowledge is shared accordingly (Ritter et al. 2004). Partner managers can create different kind of tools – such as manuals, websites and partner profiles – based on their past experience and share the information internally. (Dyer et al. 2001) In addition to sharing information and knowledge, partner managers need to also protect it from competitors and other non-wanted entities (Teng and Das 2008).

Constant support and training should be provided to partners. This is the responsibility of partner managers as well. The managers themselves can also take part in different training courses and workshops to increase their own know-how. (Dyer et al. 2001)

To conclude, partner managers are very essential to the success of the partnerships, as most of the management issues concerning partnerships are the responsibility of the partner managers. However, as the importance of the partner management function increases, the managers involved might emphasize the process of management too much. Dyer et al. suggest that speed of decision-making is very important and if the process becomes too formal and strict, the benefits are lost. (Dyer et al. 2001)

2.6 Challenges in Partner Management

As described above, partnerships do not always succeed; in fact the failure rate is high. Cavusgil (1998) argues that more often than not the reason for failure is the lack of good partner management. This chapter is dedicated in finding the reasons for the problems in partner management.

Ireland et al. (2002) argues that the foremost reason for bad partner performance is the improper partner selection. It all starts from this point; most of the other problems can be somehow related to this. Spekman et al. (1998) for example list partner knowledge, trust and commitment as issues that will lead to problems. In fact, if the company does not manage to get their partners to commit resources on the partnership, there is little chance for success (Ireland et al. 2002). This is especially important since there is always also the external performance risk (Ireland et al. 2002) that something in the external environment and therefore out of the control of the company affects the performance of their partners.

Other problems are related to the actual management of the partnership. Even though Spekman et al. (1998) point out that often the companies are lacking the authority to manage their partners and conflicts, Håkansson and Ford (2002) argue that when one company indeed takes lead of the network of partnerships it begins to resemble a hierarchy which undermines the benefits of the network. Also managers tend to have problems allocating resources and personnel to appropriate tasks which will cause problems (Dyer et al. 2001; Ireland et al. 2002).

The third and final problem category is related to the number of partnership. Rothaermel and Deeds (2006) argue that if the company engages in too many partnerships, there is a risk of mismanagement and opportunistic behavior. The company does not have the resources to monitor whether all their partners are meeting their expectations and competitive behavior from their partners may cause problems (Ireland et al. 2002). Also if the company engages in such a number of partnerships too fast, it may not have time to adjust to the new situation and it will fail to create additional value from the added partnerships (Rothaermel and Deeds 2006). Alternatively Rothaermel and Deeds (2006) argue that if there are too few partnerships, the company will have a competitive disadvantage.

3. SOFTWARE INDUSTRY

The purpose of this study is to examine how partnership management differs during the internationalization process in software companies. Therefore it is necessary to describe the nature of the industry.

This study is focused on defining how the partner management differs within Finnish software companies that offer partly standardized products which still require some form of tailoring. Therefore it is in the benefit of this study to describe the nature of the software product as well as the characteristics of the software industry in more detail, since comparison is made between small and large companies. Particular interest is paid on the internationalization process in the software industry, as the main focus of this study is on the effects of internationalization on the partner management. This study will not however go too deep into the internationalization, as the internationalization is merely understood as the number of countries operated through partners. It is however beneficial to know the basics of internationalization in the industry. The latter part of this chapter will briefly describe the current knowledge about partnerships and partner management in software industry.

3.1 General Characteristics

Software industry consists of the different organizations that operate in the designing, maintenance and publication of the software applications (Aramand 2008). The industry has grown to become very important and significant to the world economy (Nummela, Saarenketo and Puumalainen 2004).

Software industry differs from traditional industries in many ways. First, the user and the customer of a software product may not be the same (Aramand 2008). The user in many cases, especially with Internet software, does not even pay for the use of a particular software (Aramand 2008), which makes it rather difficult to assign revenue on that particular software by the customer. One solution to this has been the pay-per-use -option for the product or service (Gurnani & Karlapalem 2001). This way the customer could allocate revenue, and therefore value for the company, to the product sold by the software company. Another aspect to consider is the unreliability of schedules and deadlines which cause cost overruns (Zwikael 2008) which cause problems in the revenue models in the industry.

Traditional high tech products are described as being state-of-the-art and having a short product life cycle (Aramand 2008). The rapidly changing environment in software industry causes software companies to introduce new applications and upgrades constantly and this shortens the life cycles of the products (Aramand 2008; Cusumano 2007; Harris et al. 2007). It is also much more difficult to estimate consumer needs and evaluate competitors in this fast evolving environment (Antony and Fergusson 2004; Ruokonen 2008; Ruokonen et al. 2008b). Market-oriented companies are therefore far better in providing value for their customers since they are more able to determine the unmet needs of their customers (Ruokonen 2008). State-of-the-art product is new to the market place (Aramand 2008), but in the case of software products this is not always the best situation. Software usage requires training and a new technology requires new training, therefore many users decide to stick with the existing technology (Aramand 2008).

Software industry in Finland is rather important; the industry employs over 3% of the Finnish workforce and the contribution to the Finnish GDP has more than doubled during the past 10 years. There are around 8000 companies operating in the IT-sector and out of these 66% are producing some form of software products or services. Most of these companies are small- or medium-sized companies. These numbers do not include companies whose main product or service is not software related, such as Nokia. (Ali-Yrkkö and Martikainen 2008) The software industry in Finland is slightly more important than is the average in Europe, yet there are countries such as France and Ireland where software industry is even more important (Ali-Yrkkö and Martikainen 2008).

Because of the uniqueness of software products (Antony and Fergusson 2004) the domestic markets are usually rather small. In addition due to the nature of software products they are easily sold via the Internet. Therefore many small software companies seek growth and profit from foreign markets, usually entering several markets simultaneously (Ruokonen et al. 2008b). The internationalization, or perhaps one could say globalization, of the entire software industry has been rapid during the past few years (Nummela et al. 2004). Most of the small- and medium-sized companies are using distributors or agents as their entry mode, because of their own limited resources (Cavusgil 1998).

Small companies tend to behave irrationally and unpredictably (Bell 1995) and internationalize rapidly (Ruokonen et al. 2008b). Small companies face greater risks than their larger competitors because of their lower economies of scale (Harris et al. 2007) and therefore are more in need for an effective business management procedure. This is highlighted by the fact that even though the entry barriers into software industry are low and many new ventures are launched every year, the failure rate is also high (Ali-Yrkkö and Martikainen 2008). There was a peak of new software companies founded in the beginning of the millennium in Finland (Ali-Yrkkö and Martikainen 2008).

The coming of the Internet revolutionized the software industry in the early 1990s (Aramand 2008). Because of the new opportunities offered by the Internet, new industries started to see the benefits of software applications and the customer base for software companies grew in volume and variety (Aramand 2008). The Internet also increases the competition, since customers can gain access to software providers around the globe, which in turn increases the quality of products and services offered (Aramand 2008). Finally the effects of the Internet have shortened the life cycles even more (Aramand 2008).

3.2 Software Solutions

Software solutions are in many ways different from traditional products. The most important difference is the intangibility of software solutions (Antony and Fergusson 2004). Software solutions are in many cases customized to customer needs and therefore unique (Antony and Fergusson 2004; Aramand 2008). Software solutions are actually rather similar to services and therefore the measures for software quality are different than in traditional product industries. Software solutions are measured based on their functionality, complexity and quality (Anselmo and Ledgard 2003). Software quality is a reference to the number of defects in the software (Anselmo and Ledgard 2003; Antony and Fergusson 2004), but it can also describe various other measures such as time consummation (Anselmo and Ledgard 2003; Antony and Fergusson 2004). In conclusion, software quality is more difficult to measure than with traditional products, but without measuring one cannot expect to see any development (Anselmo and Ledgard 2003).

Software solutions can be divided into three categories (see figure 4):

1) software projects that are almost entirely customized on the preferences of the customer (Aramand 2008, Ruokonen 2008)

2) software services in which minor adaptation can occur prior to the subscription of the service (Aramand 2008)

3) software products which are standardized products and usually have longer life cycles than software services or projects (Aramand 2008, Ruokonen 2008)

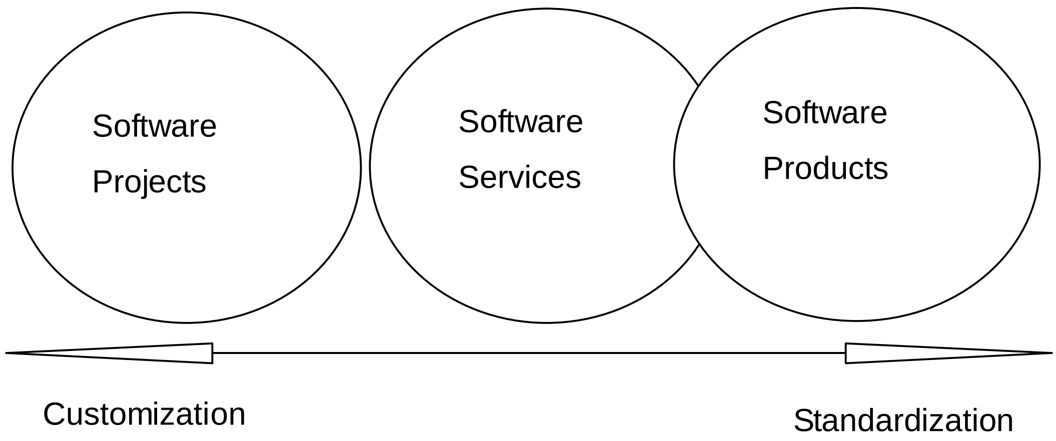


Figure 4. Software solution categories (Aramand 2008)

Typically companies offering software projects are operating in closed markets in co-operation with limited customer base whereas companies offering standardized software products have a much wider customer base and they tend to operate in an open competitive environment (Ruokonen 2008). Ruokonen et al. (2008b) argue that the market has a huge impact on which product strategy the companies choose. According to them if there is a strong market pull, companies tend to follow standardized product strategy and they also tend to gather customer satisfaction data that dictates their business making (Ruokonen et al. 2008b). In contrast if there is an evident technology push the companies usually offer customized software projects and they require more detailed information about their potential customers – they need to understand them (Ruokonen et al. 2008b). Ruokonen (2008) argues that it is much easier to gain customer information in the latter case, because of the interaction between the company and the customer.

Ruokonen (2008) also argues that while in software projects the ownership of the software is transferred to the customer, software products are usually only licensed for use. However, while Aramand (2008) agrees that software projects are the property of the customer, he suggests that software products also become the property of the customer after their purchase. It can very easily be that Ruokonen and Aramand had different kinds of software products in mind while arguing and we also have to notice that while Ruokonen (2008) proposes software products and projects to be the two types of product strategy in the software industry, Aramand (2008) lists three types, software products, services and projects. According to Aramand (2008) software services are more like the software products Ruokonen described as in Aramand argues that software services are those that customers can use and customize but they do not own the actual software.

Regardless of the definition, software solutions are rarely finished, since continuous upgrades and modifications are made (Aramand 2008) in order to address the new-found needs of the customers. In fact software solutions typically have a life cycle of 12 to 18 months (Aramand 2008). Because of this constant adaptation and short life cycle software solutions can actually avoid the decline phase altogether (Aramand 2008).

According to Ali-Yrkkö and Martikainen (2008), the turnover of a software company does not consist solely of the sales of the main software solution. In fact, the majority might come from additional services and products, such as maintenance and support, consultancy or training. Many software companies act as resellers for other software companies, thus increasing their product range. (Ali-Yrkkö and Martikainen 2008).

3.3 Partner Management in the Software Industry

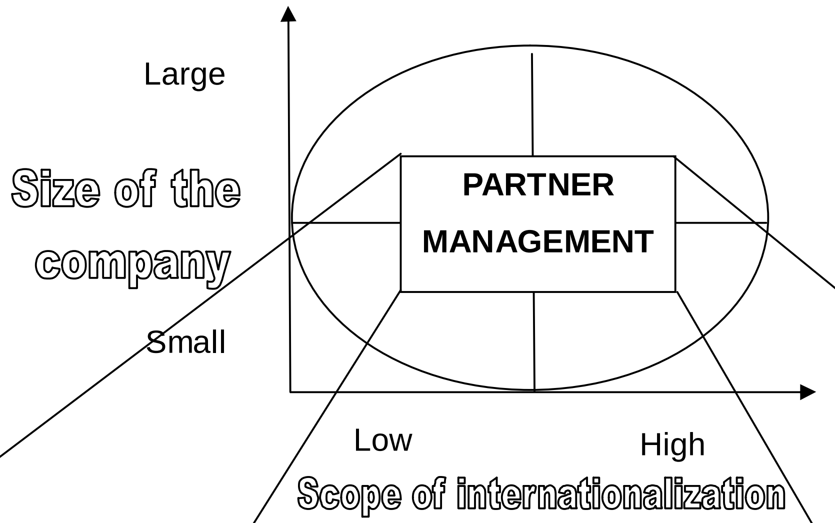
Companies in the software industry are really active in forming partnerships (Taylor 2005). Especially technical partnerships are common (Kulmala and Uusi-Rauva 2005). There are however not too many studies conducted on this (Taylor 2005).

Rothaermel and Deeds (2006) argue that partner management is of special importance in high-tech industries, and therefore also in the software industry. Ang (2007) adds that less hierarchical partner management will bring better results, since the ever changing nature of the industry requires faster responses and better adaptability.

3.4 Developed Theoretical Framework

The developed theoretical framework is a combination of the preliminary theoretical framework and the case analysis matrix. The elements of the preliminary theoretical framework are developed a bit further to better illustrate the partner management. Partner management function is described as an answer to the question “who”. Formal and informal elements describe how partnerships should be managed. The two elements that are context-based describe the effects of industry and scope of internationalization on partner management. All of these four categories of elements are used to describe and analyze the case companies. The combined developed theoretical framework can be seen in figure 5.

Figure 5. Developed theoretical framework



ELEMENTS OF PARTNER MANAGEMENT

Resource-based	**Formal**	**Informal**	**Context-based**
Management function	Analysis Reassessment / control Leadership Formal contracts Codified information / tools Partner programs	Cross-functionality Internal communication External communication Personal contact Information sharing Commitment Trust Long-term view Support	Flexibility Cross-cultural empathy

4. RESEARCH DESIGN AND CASE DESCRIPTIONS

Qualitative research design is best suited when searching for the meanings behind certain actions or phenomena according to Miles and Huberman (1994). Eisenhardt (1989) describes case study as the best alternative when the objective is to describe certain phenomena. Since the purpose of this research is to find out how the scope of internationalization affects partner management in software companies, case study is clearly the best solution.

According to Eisenhardt (1989), Miles and Huberman (1984) as well as Yin (2009), case studies can have single or multiple cases. Miles and Huberman (1984) however emphasize that each case should be analyzed thoroughly and the findings should be compared to other cases. Inductive research design emphasizes the importance of case analysis, as the overall design evolves according to the findings on the cases. During the process of data analysis, the preliminary data is screened to find suitable cases for further analysis. This group is thinned with a more detailed screening as the focus of the research becomes clearer.

The preliminary data for this research consisted of altogether 160 interviews conducted in 72 Finnish software companies. Preliminary screening followed to reduce the number of data and to select appropriate cases for this research. The purpose was to find around ten companies for the next stage of research.

Therefore some requirements were set. The preliminary cases selected possessed the following qualities:

– the company is engaged in strategic partnering and therefore admits the importance of their partners to their business
– the company has or has had at least some international presence
– the company has a product which has a standardized platform, but requires some form of tailoring in order to be sold to the customers

Based on these requirements a total of ten companies were selected. The companies were arranged on a 2x3 matrix based on the company size and the relative scope of internationalization, as these two elements were chosen as the focus point for this study. This division is selected since the purpose of this research is to find differences between the selected cases. Resources are an essential requirement for many elements in partner management so to diminish their effect on the differences, findings are compared between small and large companies. In addition the added complexity of increasing scope of internationalization is bound to have an effect on partner management. The term relative scope of internationalization is used since the definition of low or high scope is depending on the size of the company.

Three companies out of the preliminary selection did not even qualify for this matrix because of the lack of information on their internationalization level. The companies either did not wish to reveal the exact number of countries or did not know it or did not even want to know it. In addition the desired contrast in case study can not be achieved in the medium-sized company category, so the category is excluded from this research. Also one of the companies in the category “large” is substantially larger than the others, so it was left out of this study in order to increase the comparability.

Therefore the actual case company matrix is a 2x2 with one company in each cell. Altogether twelve interviews were conducted on these four case companies. Five of them on company A, two in company B, one in company C and three in company D.

Each of the case companies will be described in detail first. The companies are referred to as company A, B, C and D to protect their identity. The chosen companies are each from a different cell in the following figure.

Figure 6. Company matrix

Large	Company C	Company D
Small	Company A	Company B
	Low scope of internationalization	**High scope of internationalization**

The following four chapters will describe each of the companies in more detail, concentrating on their partner strategy and partner management. The developed theoretical framework shown in figure 5 is used to describe and analyze the case companies.

4.1 Small Company and Low Scope of Internationalization

The small company operating only in few other countries besides Finland shall hereafter be referred to as company A. The company had 24 employees and a turnover of 8,4M€ in 2005. Concerning the product range, the company was licensing one globally well-known brand but it also produced their own product line. Their own product was fairly standardized; some alterations and tailoring were required from country to country though, mainly due to differences in symbolics. The licensed product required a bit more tailoring, but concerning this research it is not of out concern, because the company was not allowed to export that product outside of Finland.

The internationalization path for company A had not been good. Their first attempt on international markets had been in Nordic countries, but even though the partnership with the Nordic company was still operational, the relationship had never reached the potential it could have. The company blamed the unpopular brand and image of their partner in the Nordic countries. Their most recent attempt on the Baltic countries however had proved to be a much better success and they were planning to continue their internationalization into other Baltic countries as well. At the time of the interviews however, the company was present in three other countries besides Finland through their partnerships.

The primary interest for company A to partner was to grow. The only two ways available for the company to expand their business were either direct entry with own sales office etc, or then by using partners.

> *“Otherwise we would have to go and found our own company and then we would have to […] go with the whole thing […] The risks and costs would increase and we don’t want that” – CEO of Company A*

Since the company only employed 24 people, they really did not have the resources to do it by themselves; partnering was the only option. In addition the company acknowledged the problems with new cultures and viewed having a local partner as a solution for the cultural barrier.

> *“Cultures are always a risk and that’s why we want there to be a local” – Sales Manager in Company A*

Concerning the nature of the partners, the primary interest was on the sales aspect, but technical partners were not ruled out at the given moment.

What requirements had the company set for their partners then? First and foremost was the technical expertise, especially in the special domain of their product. However, it was enough for the company to understand the nature of the product and to be able to sell it and offer after sales support. The company did not expect their partners to engage in any R&D activities, yet if the company possessed the capability for this; it was viewed as added value. The technical expertise was also present in the requirement for their international partners to participate in the localization of the product in their respective markets. In addition to the technical expertise, the partner company needed to be able to show a successful track record in sales. They needed to have a functioning sales network in their respective countries or at least know who to contact to get sales. Finally, the company appreciated good personal relations with the company, so the partner company managers needed to be able to communicate informally with the company managers.

The first thing that can be said about the partner management in company A is that it was quite informal. Perhaps due to the very light organizational structure, the company managers were accustomed to sharing ideas and discussing matters informally within the company. This informal attitude was also transpired on their partner management, since they relied heavily on personal contacts and actually argued that they should have more face –to-face meetings with their partners to get things to function better.

> *"Everything happened through personal relations and trust is really important" – Consultant in Company A*

“Personal relationships are always better” – R&D Manager in Company A

“We should sit down more often with them and see what could be done” – Product Manager in Company A

The company did not have a specific partner manager, even though they were on the lookout to hire an export manager, and since they operated through partners in the international markets, an export manager would have taken care of their partnerships. Instead of having a specific partner manager, their partnerships were handled depending on the domain in which the partnership belonged to. Due to the informal relations within the company, it was very common for technical and marketing personnel to collaborate with the same partners.

Training and support were considered very important in the company A. Partners should have been trained in both technical aspects as well as sales wise. The company had created some marketing and training materials over the years to facilitate this process.

The company managers had many ideas on how to build commitment for their partners. Firstly they handed out exclusive rights for the specific market areas, but those rights were directly affected by the sales volume, the companies were allowed to keep the exclusive rights only if they sold enough. In addition the company offered additional rewards for those who performed better than expected. However, the company admitted that the emphasis was on the short-term gains instead of long-term profit. Their partners expected to gain revenues already just few months after the commencement, so there was little long-term perspective in their partnering. The company’s high dependency on their biggest partner might have had effects on the other partnerships as well. Even though the partner brought them added credibility and increased brand value, it might have also allured them into thinking in short-term.

The company managers did not conduct preliminary analyses when considering their partners at the time or new partners. However, they did have some potential partner evaluation done, usually by an external consultant, but this was at the point when the partner was basically already selected. The managers also admitted that they did get requests and information from their partners and customers, but eventually the managers made the decisions.

> *"We do hear where our competitors are going and what our customers want, but in a way, the decisions are our decisions" – R&D Manager in Company A*

The managers however agreed that it was important to inform the partners on any developments and changes prior to broadcasting the news; this allowed partners to prepare for the changes and not lose their credibility in front of the customers. In relation to information sharing, the company admitted the difficulties in operating with partners from different cultures and therefore managers should have been able to work with various cultures with ease. The company tried to minimize the effects of culture on business by using local partners, as described above.

The company believed, perhaps due to their own high dependency on their biggest partner, that high dependency increased loyalty. The company collaborated often with their partners, undertaking joint marketing campaigns and other form of joint efforts. The company would have liked to give their partners some independency to handle their affairs as they saw fit. In the beginning of a relationship this autonomy required quite tight control and monitor mechanisms but as the trust increased between the partners, the control diminished. Based on their 'failure' in the Nordic countries, the company believed that their attitude at the time toward autonomous partners was not working well; therefore they were expecting to increase the amount of control they had over their partners. In fact they were considering part-ownerships as a control method in at least some of their new partnerships.

Partner management elements and activities appreciated by company A managers are compiled in table 6.

Table 6. Partner management elements for company A

Resource-based	Partner management function	**-**
Formal	Analysis	**-**
	Reassessment / control	**x**
	Leadership	**-**
	Formal contracts	**-**
	Codified information / tools	**x**
	Partner programs	**-**
Informal	Cross-functionality	**x**
	Internal communication	**x**
	External communication	**x**
	Personal contact	**x**
	Sharing information	**x**
	Commitment	**x**
	Trust	**x**
	Long-term view	**-**
	Support	**x**
Context-based	Flexibility	**-**
	Cross-cultural empathy	**x**

4.2 Small Company and High Scope of Internationalization

The small company operating in many countries besides Finland shall hereafter be referred as company B. The company had 16 employees and a turnover of 15 M€ in 2005. The product the company offered was basically standardized, but in order for it to be sold it required some extent of tailoring through preinstalled parameters.

Concerning the internationalization of company B, even though the company had managed to gain almost a global presence in eleven countries in Europe, Africa, Australia and the US, the international operations never became profitable.

> *“The project never took off internationally […] we were moving too early” – CEO of Company B*

After few years of operations the company had been forced to return to being just a nationally operating company in Finland. This study however will have a look on the partnering aspects during the time when the company was operating in those eleven countries through their partner network.

Company B was more interested in using partners for their downstream activities, primarily sales. The company wished to keep technical know-how within the company and through partnering with resellers, focus on their core competency which was the technology. The primary objective of partnering was to gain as large market coverage as possible, since the company had limited resources to achieve this by their own means.

Partnerships received a very high profile within the company, as they were reviewed even in the top management level. Top management participated in the choice and review of partnerships. Yet the company did not assign any particular partner manager to manage and control their partnerships.

The primary control mechanisms for their partnerships were the formal partner agreements as well as regular personal contact with the partners. Through the personal relations the company tried to emphasize the long-term benefits of the partnership to their partners and those that trusted the company managed to create a successful relationship with company B.

The company was very active in supporting and training their partners, most likely due to the long-term aspect of the relationship. The company provided their partners with marketing support and they even participated with their partners in the first sales if they so wished. Later they created a reseller-kit and various adapters to facilitate the usage and sales of their product. Towards the end of their international days they also organized reseller days where they met regularly with their resellers.

In the beginning the company relied heavily on some of the bigger companies they had managed to form partnerships with. They trusted on their partners to commit as heavily on the relationships as they did and this trust failed them.

> *“We trusted our big partners […] it was a strategic mistake to trust in the ability and will of the big actors” – CEO of Company B*

The larger companies did not commit enough and communication with them did not work as planned and the decision-making process was far longer than the company B had anticipated. The company B was not flexible enough to react or adapt to the situation and change partners, so they remained with their unsuccessful partner for too long. Not being able to perform well internationally weakened their credibility even more and since they had no back up plan for this, their international operations started to backfire one by one. Eventually the company B was forced to discard all of their partners internationally and focus on their national operations, which still remained profitable.

The failure of their international operations cannot be blamed for their lack of information either. They did their fair share of groundwork gathering information, listening to their partners who share information concerning their respective markets and competitors and the company also created various profile files out of their competitors and markets.

> *"We had files probably on all of our competitors […] we gave feedback to our resellers and customers […] later came the reseller days […] at least we had the information, everybody knew where to find the information if they needed it" – CEO of Company B*

These files were stored in an internally available data bank where everybody within the company was able to gain access to the information. The company even used this information to create various guidelines, also transmitted to their partners, on how to perform in various situations. However, it must be noted that the information gathering was not systematic, but rather ad-hoc and unstructured. Perhaps a more systematic and especially more predictive research might have enabled better international performance.

Partner management elements and activities appreciated by company B managers are compiled in table 7

.

Table 7. Partner management elements for company B

Resource-based	Partner management function	-
Formal	Analysis	x
	Reassessment / control	-
	Leadership	-
	Formal contracts	x
	Codified information / tools	x
	Partner programs	-
Informal	Cross-functionality	-
	Internal communication	x
	External communication	x
	Personal contact	x
	Sharing information	x
	Commitment	x
	Trust	-
	Long-term view	x
	Support	x
Context-based	Flexibility	-
	Cross-cultural empathy	-

4.3 Large Company and Low Scope of Internationalization

The large company operating in relatively few countries shall hereafter be referred to as company C. Company C had slightly over 550 employees and had a turnover of 75 M€. The product the company offered had a basic, standardized platform but most of the products sold were tailored to some extent. The tailoring was customer-driven, but the company aimed to build the product so that it could be used by more than just the particular customer in question.

Concerning the internationalization of the company, they had partners in eight countries besides Finland. Their partners were located in Europe, Northern America, Southern America and Australia. Concerning the success of their internationalization process, they were competitive in each of these areas and have had at least moderate success in each of the countries they have entered.

Concerning the partnering of company C, they were looking for both upstream and downstream partners. The emphasis on technical partners was evident, but they also pointed out that they did not wish to sell directly to customers, but rather through system-integrators.

> *“We strive to operate through system-integrators” – Product line Manager in Company C*

The main reason for partnering for this company was that they had realized they could not do everything by themselves. Even though they were a large company with a good resource-base, they still saw partnering as a way to survive and to focus on their core competence. Partnering also allowed them to change some fixed costs (personnel costs) into variable costs and make their operations a bit more flexible.

The company had set only a few specific requirements for their partners: they must have the required technical knowledge on the domain of the company and they must be economically stable company, so that they could be trusted.

Briefly about the partner management procedures within company C: first of all the company was constantly on the lookout for new partners. The aim was to build up long-term relations and therefore the company was trying to avoid partners from distant cultures, since the cultural difference could become a very difficult burden.

> *“We strive for long-term partnerships and we endure bad times and are not changing partners immediately”*
> *“We prefer partners from the nearby countries if possible […] the*

> *culture in there [more distant countries] is so much different"*
> *– Product line Manager in Company C*

However, the company had no official partner strategy, even though partnering was present in some form in their overall strategy. Nevertheless they always had some sort of back-up plan in case one of their partnerships did not succeed.

> *"We do have some general guidelines for partnering, but I wouldn't call it a strategy [...] the sort which would describe the qualifications of a partner company and such, we don't have"*
> *"If we see that there is a risk, we make a back-up plan for those"*
> *– Product line Manager in Company C*

However, most of the partners of the company had been around for decades, the relations had been built gradually and through personal contacts. The company valued communication and commitment above anything else; if there was no problem with either of them, they were able to trust their partners. To facilitate commitment and communication, the company had a policy to meet with their partners regularly, about once a month, to discuss various issues concerning their partnership and customers. The company was very open and shared information regarding new products, new projects and customers with their partners.

Nevertheless the company needed to have some form of control over their partners. The company had formal partner agreements with all or most of their partners and they were also monitoring their partners' performance.

> *"There must be a project manager, these are projects and there must be a steering group who oversees that the project progresses"*
> *"[…] someone must constantly manage the progress of the project and oversee that everything goes as planned […]"*

- Product line Manager in Company C

Past experience had also proven that the expectations should be written down and formally agreed upon with the partners. In addition to this the company held various seminars with the purpose of educating their partners. The company had also relied upon acquisitions in case the partner's activities were too closely related to those of the company.

The company described most of their partnerships to be project-oriented and each of their projects had a project manager. However, in case the partners remained after the project is finished, there was no single partner manager, but rather the partnerships were handled by the manager responsible for the domain the partnerships belonged to.

Partner management elements and activities appreciated by company C managers are compiled in table 8.

Table 8. Partner management elements for company C

Resource-based	Partner management function	**x**
Formal	Analysis	**-**
	Reassessment / control	**x**
	Leadership	**x**
	Formal contracts	**x**
	Codified information / tools	**-**
	Partner programs	**-**
Informal	Cross-functionality	**-**
	Internal communication	**-**
	External communication	**x**
	Personal contact	**x**
	Sharing information	**x**
	Commitment	**x**
	Trust	**x**
	Long-term view	**x**
	Support	**x**
Context-based	Flexibility	**-**
	Cross-cultural empathy	**x**

4.4 Large Company and High Scope of Internationalization

The large company operating in many countries through their partners shall hereafter be referred to as company D. The company employed 300 employees and had a turnover of about 2M€ in 2005. Their products had a very standardized platform which enabled tailoring though various parameters, based on customer requests and requirements set by their operating systems. The tailoring was easy to do and the partners were able to do so with adequate training.

Concerning the internationalization of the company D, they managed to create an international brand. The company had set out to become an international or global company from the inception and in 2005 many of their customers did not even regard the company as Finnish, but rather as just international. The company had partners in at least sixteen countries in Europe, Asia, Australia and US, in addition to having few big global companies as their partners. However, the internationalization did not proceed as planned, since shortly after the interviews the company D declared bankruptcy: their international operations never quite took off and since their objective was from the beginning to operate internationally, their operations in Finland were not sufficient enough to sustain the business.

Company D did not have the required resources to expand to as many markets as they did. Therefore they needed the help of their partners, partners were also an excellent way to change some fixed costs into variable costs, since it was much easier to discard a partner than lay off employees. In addition, partnering with system-integrators and resellers allowed company D to focus on their core competence, which was technology, their product.

> *“Our aim is to have system integrator partners who do the actual implementation. That enables us to concentrate to the product part” –Executive Vice President of Company D*

> *“[…] but our market strategy will be more indirect and include sales through partners and local resellers” – Business Development Manager Business Support in company D*

Company D was lucky enough to partner with a few big global companies, these partnerships brought them much credibility in the eyes of other partner companies and customers.

Company D, as all the other cases above, required their partners to have sufficient technical knowledge. Company D also wished to engage in partnerships only with companies that are of the same size as company D.

> *“When you’re playing with someone of the same size, life is a bit easier” – Executive Vice President of Company D*

> *“We prefer to do business with companies of the same size as we” – Senior Vice President Services of Company D*

They felt that smaller companies just did not have the resources to engage in the kind of partnerships the company D wished whereas with larger companies there was the risk of getting lost in the crowd and not getting sufficient commitment from the partner company. Company D also expected their partner companies to have good reputation and good knowledge of their respective markets, since otherwise there was no reason to partner at all. Past experience in similar projects was viewed as a positive thing.

Even though the company was constantly searching for new partners, the process was not systematic.

> *"We are quite open [for new partners], we never say no" – Executive Vice President of Company D*
> *"There is no focused search" – Senior Vice President Services of Company D*

Once they encountered a need for new partner, they commenced the search. The company managers agreed that they should have a more systematic way for this, since partner selection was crucial to the success of the partnership.

The company had basic control over their partners through formal partner agreements or contracts in which there were objectives the partners should achieve. However, it was acknowledged that it was impossible to set absolute objectives for partners, since the business changed so rapidly, but the contracts were good for controlling nevertheless.

> *"Strict agreements can be written, but they can't be followed" – Senior Vice President Services of Company D*

The contracts could and were reviewed periodically to monitor the performance of each partner. The company D realized the varying importance of their partners and they were more flexible with their more important partners. They did not have any official partner programs however, just semiformal partner engagement programs. This unofficial division of partners had nevertheless enabled them to focus more attention and resources on the more important partnerships.

Even though the company managers did not admit having total trust on any of their partners, they still vouched for honesty and long-term patience in their partnering actions. The company D did not expect to gain any short-term profits from their relations, but rather build-up the relations and turn it profitable in the long-term.

> *"We wait at least a year before we start to consider [the monetary benefits of our partnerships]" – Senior Vice President Services of Company D*

Personal communication was also essential in building the profitable long-term relations. The company conducted regular visits over their partners' facilities and communicated with them regularly. The managers however argued that their visits should have been more systematic, as at the time they had been almost at random.

> *"We should timetable our visits a month or two forward, so that partners could arrange meetings that are important to them, not just random encounters" – Senior Vice President Services of Company D*

Nevertheless these visits increased the personal relations the company D managers had with those of their partner companies.

Concerning partner management function, the company D did not have specific partner managers. However, they did have managers who were responsible for handling partner affairs and they also always appointed project managers for their projects and as their partnerships were quite often project-oriented, project managers could have easily meant partner managers as well. The internal communication was said to function well, the managers keep each other up-to-date regularly. This could have however been the case just at their Singapore office, since none of the other managers mentioned internal communication in relation to partnering. All of the managers however stressed the importance of cultural knowledge and cross-cultural empathy.

> *"[…] if you're in a different culture and time zone, communication is always difficult" – Executive Vice President of Company D*
> "*Diplomacy, one must understand what is important in each culture" – Senior Vice President Services of Company D*

In order for their partnerships to work properly, the partners needed to be trained. Even though the company was willing to aid their partners in the long-term, they wished to limit the concrete support and training into the beginning of the relationship.

> *"We don't participate after certain time to sales efforts […] if we provide support, we don't want to do it in the premises of the customer" – Senior Vice President Services of Company D*

The company D however kept informing their partners on the new developments and changes as they occurred and also produced documented information. Eventually they were going to and had already developed some good tools that their partners could use and they willingly shared these tools since they felt that this increased their partners' commitment. The company D also organized workshops for and with their partners to yet again better support their partnership. In fact, company D believed that joint efforts of any kind would increase the trust between the partners and they were therefore worth the time and resources. The company D actually wished to be informed about the actions of their partners and their sales efforts. That way they were able to give directions and recommendations for their partners to better make the sales.

Much of how company D handled their partnerships was actually adopted from the partner management procedures of their partners. Company D regularly reviewed how their partners manage their own partnerships and they adjusted those methods to suit their own. In fact they viewed the whole partner management to be a learning process. One lesson they had learnt was never to give exclusive rights to any of their partners. The one company that had had those rights was still their partner, just not with exclusive rights, since they were not efficient enough as exclusive partners. The key was to end partnerships as friendly and smoothly as possible.

> *"It ended quite friendly in a sense that we realized that he was a bit too optimistic, he's still our partner, just not with exclusive rights" – Senior Vice President Services of Company D*

Partner management elements and activities appreciated by company D managers are compiled in table 9.

Table 9. Partner management elements for company D

Resource-based	Partner management function	**x**
Formal	Analysis	**x**
	Reassessment / control	**x**
	Leadership	**-**
	Formal contracts	**x**
	Codified information / tools	**x**
	Partner programs	**x**
Informal	Cross-functionality	**-**
	Internal communication	**-**
	External communication	**x**
	Personal contact	**x**
	Sharing information	**x**
	Commitment	**x**
	Trust	**x**
	Long-term view	**x**
	Support	**x**
Context-based	Flexibility	**x**
	Cross-cultural empathy	**x**

5. DATA ANALYSIS

The purpose of this research is to find out how software companies manage their international partnerships. The case descriptions above give a very good insight on the various situations, but a comparison is required to better understand the similarities and differences. See table 10 for more detail.

Table 10. Partner management comparison

		A	B	C	D
Size		small	small	large	large
Scope		low	high	low	high
Resource-based	partner management function	-	-	x	x
Formal	Analysis	-	x	-	x
	Reassessment / control	x	-	x	x
	Leadership	-	-	x	-
	Formal contracts	-	x	x	x
	Codified information / tools	x	x	-	x
	Partner programs	-	-	-	x
Informal	Cross-functionality	x	-	-	-
	Internal communication	x	x	-	-
	External communication	x	x	x	x
	Personal contact	x	x	x	x
	Sharing information	x	x	x	x
	Commitment	x	x	x	x
	Trust	x	-	x	x
	Long-term view	-	x	x	x
	Support	x	x	x	x
Context-based	Flexibility	-	-	-	x
	Cross-cultural empathy	x	-	x	x

In the table above the findings in each case company are combined. As can be seen, most of the elements suggested by theory are also important in the 'real world'.

The findings are now analyzed in more detail. First, the overall similarities in partner management are displayed and analyzed. These similarities include the elements present in all of the case companies. This is followed by a more detailed analysis on the effects of the size of the company on partner management. The final analysis is on the effects of the scope of internationalization.

5.1 Similarities

The overall similarities among the case companies are displayed next. There are altogether five elements of actions of partner management appreciated or conducted in each of the case companies.

The elements and actions appreciated by each of the case companies all have something to do with the informal interactions between the partnering companies. In fact, personal **communication** and the value of **personal relations** are significant in each of the case companies. It must be noted however that where smaller companies A and B value the personal relations and communication, the managers at larger companies C and D strive to also visit their partners regularly. The smaller companies have however noted that more face-to-face meetings would be in the benefit of the partnerships. Therefore visits on the partners' facilities and face-to-face meetings with partners' managers are important to the smaller companies as well.

In addition to communicating with their partners, each of the case companies included **training and supporting** their partners as essential to successful partnerships. Mostly the training refers to the initial training each of the companies give to their new partners. However, in case of new development in products or services, each of the cases emphasizes the importance of **sharing** this **information** with their partners. Therefore keeping partners up-to-date on the development and open information sharing is crucial. All of the companies agree that by being open and supporting the actions of their partners, their **commitment** to the partnership will increase. Since committed partners perform better, any actions that will increase partner commitment is essential to partner management.

5.2 Differences by Size

First the differences are analyzed based on the effects of size on the partner management. The cases are analyzed into two groups; first the companies with low scope of internationalization (e.g. partner in few countries) are analyzed to determine how the size affects the partner management in this situation. Then the same is applied for the group of companies with high scope of internationalization.

5.2.1 Low scope of internationalization

Companies with low scope of internationalization, meaning those companies that have partners in relatively small number of countries, will be analyzed first. Thus the first two companies analyzed are companies A and C. As said in the case description, company A has partners in three countries and company C in eight countries besides Finland. Even though there is a difference of five countries, and the original numbers are as low as they are, since company C is much larger in size than company A, the relative number of partners is about the same.

The similarities and differences between these two companies are displayed in table 11. As can be seen, there are only three elements that are shared by these two companies. Altogether four elements are appreciated in company C but not in company A and three elements vice versa. Two elements are not appreciated by either of the companies.

Table 11. Differences in management in companies with low scope of internationalization

		A	C
Size		small	large
Scope		low	low
Resource-based	Partner management function	-	x
Formal	Analysis	-	-
	Reassessment / control	x	x
	Leadership	-	x
	Formal contracts	-	x
	Codified information / tools	x	-
	Partner programs	-	-
Informal	Cross-functionality	x	-
	Internal communication	x	-
	Trust	x	x
	Long-term view	-	x
Context-based	Flexibility	-	-
	Cross-cultural empathy	x	x

The similarities are analyzed first. As said, there are three elements shared by both companies, these are reassessment and control, trust and cross-cultural empathy. All of these are essential elements of partner management and it is therefore quite obvious why they are appreciated by both companies. Both companies state the difficulties caused by foreign cultures and appreciate their managers' abilities to handle the cultural difference. Trust is seen as the foundation for working relationship. Both companies are also monitoring how their partners are performing and are ready to intervene if needed.

Therefore size does not affect the importance of these three elements, at least not when the internationalization has not progressed into many countries. Also, two elements are not appreciated by either of the two companies; these elements are flexibility and analysis. The decisive factor for these two elements seems not to be the size of the company, at least not entirely, but rather the scope of internationalization. Since neither of these two companies has progressed very far in their internationalization, the complexity of their partner network has not grown significantly so they do not have the need to analyze their network periodically, control mechanisms are enough.

However, there are few elements that are affected by the size of the company. The most obvious of them is the management function. The creation of a specific partner management function requires resources and therefore it is quite obvious that the larger company C has a more developed partner management function than the smaller company A. However, the management function in company C is still underdeveloped when comparing with the suggestions and recommendations from the academia. But the importance of resources is highlighted by managers from company A who state that they are in fact planning on recruiting someone to handle their partnerships, they just have not had the resources for that yet. The partner management in company C is also more long-term oriented. The company wishes to establish long-term partner relations, whereas company A admits that their partnerships have a more short-term aim. Company C has also taken a more leading role in their partnerships: they rely heavily on the formal partner contracts and write down explicit expectations for their partners. They are also relying on acquisitions in case they feel it to be necessary.

Company A on the other hand relies more on the informal management of their partnerships. In fact they see their own light organizational structure as a strength in their partner management. Managers in company A interact and share ideas continuously and it is very common for different departments to collaborate with the same partners. In addition, instead of setting down formal contracts, company A aims to develop trust and commitment with their partners by collaborating with them and giving them some form of independency. They have also created some marketing materials for their partners, based on their past experience and knowledge.

5.2.2 High scope of internationalization

Companies with high scope of internationalization, meaning companies that have partners in relatively many countries will be analyzed next. Company B has partners in eleven countries and company D in sixteen, both of them having partners in at least three different continents. There are four elements that are shared by both companies and two present in neither. Altogether six elements are appreciated by company D, but not by company B while only one by company B and not by company D. The similarities and differences between these two companies are displayed in table 12.

Table 12. Differences in management in companies with high scope of internationalization

		B	D
Size		small	large
Scope		high	high
Resource-based	Partner management function	**-**	**x**
Formal	Analysis	**x**	**x**
	Reassessment / control	**-**	**x**
	Leadership	**-**	**-**
	Formal contracts	**x**	**x**
	Codified information / tools	**x**	**x**
	Partner programs	**-**	**x**
Informal	Cross-functionality	**-**	**-**
	Internal communication	**x**	**-**
	Trust	**-**	**x**
	Long-term view	**x**	**x**
Context-based	Flexibility	**-**	**x**
	Cross-cultural empathy	**-**	**x**

As stated above, there are only four elements that are appreciated by both companies; these are long-term view, analysis, formal contracts and codify info. Concerning the more complex environment caused by high scope of internationalization, the partnerships need to be carefully analyzed and controlled. The size of the company has no effect on this. In addition codified information and tools created based on this information are also essential to handle multiple partnerships from various cultures. Also the relationships are built to last in the long-term and companies operating in multiple countries understand this, regardless of the size.

Neither of the two companies appreciated leadership or cross-functionality. Both of these elements are more related to the complexity of the network rather than the availability of resources. Their relative importance is therefore lower than in the case of low scope of internationalization and they are not appreciated enough by the managers.

Altogether six elements were appreciated by managers in large companies. Again, the elements that have more to do with the availability of resources – management function and partner programs – were appreciated by company D but not company B. Even though company D did not have specific partner managers, they have appointed managers who are responsible to take care of partner affairs as well as assigned project managers. Neither have they actual partner programs, but more semiformal partner engagement programs. Nevertheless these programs allow them to allocate resources more efficiently into those partnerships that are more important to the company. Interestingly enough cross-cultural empathy is only appreciated by company D and not company B. It could have something to do with the countries both of these companies had engaged in partnership in. Company B had partners mainly in Europe and then some in the US and Australia, culturally rather close to Finnish cultures therefore, whereas company D had partners also in Asia, which is far more distant culturally. Therefore cross-cultural empathy actually has more to do with cultural distances rather than the scope of internationalization or size of the company.

Another interesting factor is that where company B appreciates internal communication as an important element of partner management, company D appreciates flexibility, trust and control. Therefore company B views partner management to be more internally oriented than company D where partner management is more dependent on partners.

5.3 Differences by Scope of Internationalization

In addition to researching the effects of the size on partner management, this study also looks into the effects of the scope of internationalization. The main purpose is to determine how partner management changes during the internationalization process, in other words when the company enters into increasing number of countries. Therefore the next two chapters will examine these changes in more detail. First the focus is on the two small companies with varying scopes of internationalization and then the focus swifts to large companies.

5.3.1 Small companies

Companies A and B are both small companies, where A is present in three countries besides Finland and B is present in eleven countries. The similarities and differences in partner management between these two companies can be seen in table 13. There is much variance between these two companies, they have only two elements in common where as three elements are appreciated in company B but not company A and altogether four in company A but not company B. In addition four elements were appreciated by neither of the two companies.

Table 13. Differences in management in small companies

		A	B
Size		small	small
Scope		low	high
Resource-based	Partner management function	-	-
Formal	Analysis	-	x
	Reassessment / control	x	-
	Leadership	-	-
	Formal contracts	-	x
	Codified information / tools	x	x
	Partner programs	-	-
Informal	Cross-functionality	x	-
	Internal communication	x	x
	Trust	x	-
	Long-term view	-	x
Context-based	Flexibility	-	-
	Cross-cultural empathy	x	-

The two elements appreciated by both of the small companies are internal communication and codified information. These two elements are overpowering the significance of flexibility and leadership in small companies. In addition the lack of management function and partner programs can easily be explained by the limited resources of both of these companies.

Concerning the differences between these two companies, the number of countries seems to have some affect on the nature of partner management. As the number of countries increases, the management becomes more formal, company B relies on formal contracts and top management actually participates in partner evaluation. Company B managers also emphasize the importance of long-term relations.

Company A however relies more on informal relations, trusting that your partner behaves as you would expect them to. In case they do not, company A has various control mechanisms that allow them to reassess the importance of that particular partnership. Company A also emphasizes the significance of understanding and reacting better to partner needs, meaning cross-cultural empathy and cross-functionality.

5.3.2 Large companies

Companies C and D are the two large case companies. There is a difference of eight countries between the two, where company C is present in eight countries besides Finland and company D in sixteen. There is the least amount of variation between the two in all of the comparisons, emphasizing the fact that partner management is affected more by the availability of resources than by the scope of internationalization. Or more importantly that when the company has sufficient amount of resources, the partner management does not change as much as when resources are limited. The overall similarities and differences between company C and D can be seen in table 14. Altogether six elements of partner management are appreciated by both of the companies, in addition to four that are appreciated by company D, but not company C and one by company C and not company D. Two elements appreciated by the small companies are appreciated by neither of the large companies.

Table 14. Differences in management in large companies

		C	D
Size		large	large
Scope		low	high
Resource-based	Partner management function	x	x
Formal	Analysis	-	x
	Reassessment / control	x	x
	Leadership	x	-
	Formal contracts	x	x
	Codified information / tools	-	x
	Partner programs	-	x
Informal	Cross-functionality	-	-
	Internal communication	-	-
	Trust	x	x
	Long-term view	x	x
Context-based	Flexibility	-	x
	Cross-cultural empathy	x	x

The shared elements of partner management between companies C and D are trust, long-term view, management function, cross-cultural empathy, reassessment/control and formal contracts. These shared elements contain both formal – management function, formal contracts – and informal elements – trust, long-term view, cross-cultural empathy and reassessment/control. Though there is slight variation between the two, for example where company C has project managers who communicate with the partners during the life cycle of their particular projects, company D actually has managers who are assigned with the responsibility to handle partner affairs. In addition to the shared elements, neither of the companies appreciated internal communication or cross-functionality as a fundamental part of partner management. Therefore it can be said that if a company has a good resource-base, the efficient usage of these resources is no longer as important as it is when the resources are limited. Even though the company may still value efficient internal communication channels and internal collaboration, their impact on partner management is diminished by other crucial elements.

Concerning the differences caused by the scope of internationalization for large companies, there are altogether five elements that are appreciated only by one of the two companies. In case of high scope of internationalization, company D appreciates flexibility, conducts various analyses, codifies information and uses partner programs whereas in the case of low scope of internationalization, company C believes in the importance of good leadership in partner management. It would seem that the increasing number of countries – and therefore a much larger quantity of partnerships as well – requires a more formal yet flexible touch on partner management. For company C with lower number of countries partner management is more about leading the way while also occasionally submitting to the will of others.

The process is nevertheless powered by the will of one partner, whereas company D, with a much wider network, has adapted a more flexible partner management process. The variety in partner companies and target countries requires certain flexibility in partner management; the company managers cannot expect each partnership to be equal. Therefore they also use semiformal partner programs that allow the managers to allocate time and resources according to the relative importance of each partnership. In addition the efficient management of partnerships for company D also requires various analyses in support for their control mechanisms that allow the managers to better understand the complex situation. Some of the issues are also codified and shared internally and with partners in order to facilitate the process even more. Managers are thus aware of best-practice procedures and do not need to research or guess the appropriate behavior for certain situations.

5.4 Key Findings

There is much variance in the findings between the case companies. Nevertheless, many of the elements are appreciated or conducted in each of the cases, much as described by previous studies. Each of the shared elements is obvious for partner management, regardless of the situation. It must be noted however that some of the elements might be too obvious for the interviewees that they do not even consider them to be part of the management itself.

Out of the elements of partner management, none of the case companies appreciated **coordination**, thought that the various **stages of partnering** are relevant or listed any **special qualifications for partner managers**. The lack of importance of the coordination might be explained by the relatively isolate nature of the partners of each of the companies. They used partnership as a way to internationalize and handle their international markets and did not have too many partners per country. Therefore the interests of their partnerships did not overlap often and coordination, as described by Cavusgil (1998), is not a major concern for the managers. As for stages of partnering, since none of the companies conducted very formal or systematic partner management, the idea of different stages in their partnerships seems relatively strange. Even though all of the managers stated that their partnerships have the beginning stage and then the relationship develops over time, they did not list any particular stages. Finally, none of the companies listed any specific qualifications or requirements for their partner managers. This is understandable for the smaller companies, as they did not see a specific partner management function as necessary, but neither of the larger companies had any specific criteria for their partner managers either. It could however be that some or most of the elements listed at company level also apply for their managers.

However, as said, partner management is argued to be highly resource-based and our findings on the case companies highlight this. Even though the presence of partner management function is the only element of partner management that is solely present in both of the large companies and in neither of the small companies, there are also few other elements that are present in one of the large companies and in neither of the small companies, such as partner programs and leadership. It is also quite clear based on the findings that there is much less variance between the two large companies than between the two small companies. Therefore many of the elements appreciated by the large companies are actually appreciated only in one of the smaller companies, thus highlighting their resource-dependency.

According to our findings, partner management is less affected by the scope of internationalization than the company size – and therefore their resources. However, between the two small companies there is more variance than between the two large ones. Where size clearly had an impact on the amount of various elements of partner management appreciated, the scope of internationalization affects the type of elements appreciated. Higher scope of internationalization requires more formality in the management process as well as patience, whereas with lower scope of internationalization companies can rely more on informal and personal relations.

Therefore it can be said that the management of partnerships in software companies is very dependant on the context, especially the scope of internationalization. Our findings do not provide any clear description, but rather that the management just becomes more long-term oriented and therefore flexible, yet it also becomes more formal to deal with the uncertainty of multiple partnerships and cultures.

6. DISCUSSION AND CONCLUSIONS

This chapter summarizes the major findings of this research. The limitations of this study are also presented alongside with some suggestions for future research.

The purpose of this research is primarily to study the effects of the scope of internationalization on partner management in the software industry, but the findings are compared between small and large companies. This division is selected since resources are an essential requirement for many elements in partner management. By comparing the findings between small and large companies this research aims to diminish the role of resources in partner management or at least define which elements are influenced by resources and which by the scope of internationalization.

The theoretical overview on the literature concerning partner management provided a fairly comprehensive viewpoint concerning the meaning and purpose for partner management. As mentioned, the concept of partner management is very vague and therefore it was not in the interest of this paper to define partner management rigidly, but rather describe the various interpretations of the concept. By having an idea of the complexity and variety of the concept are we able to begin to understand the managerial aspects of partner management.

The most essential part of partner management is the complexity of it. As with all management, partner management is more often than not defined as the process of “give and take”. Companies need to lead their partner and be lead by them, they need to control and be controlled; all depending on the situation and context. Partner management is also highly resource-dependant, as many of the activities described require time and money and personnel to be conducted. Nevertheless and essential part of efficient partner management is the partner manager, or someone with similar responsibilities: someone at manager level in the organizational hierarchy who has control and knowledge concerning the partnerships of the company.

Case study was selected as the research design for this study. The reason for this selection is because of the suitability of case study for descriptive and inductive research. The preliminary data of over 160 interviews and 70 companies was screened to find potential cases for this research. Out of this preliminary group of companies around 10 were selected for further research. The criteria used to narrow down the companies were their international presence, size, strategic partnering and product type. Eventually, four case companies were chosen which had international presence, offered partly tailored software products which required some form of tailoring and who viewed partnering as a strategic choice. The companies were from two size groups: small – below 50 employees – and large – over 250 employees.

The comparative analysis between the four case companies had various implications. Firstly, as was expected, the size of the company had an effect on the volume of various partner management elements and activities appreciated by the case companies. In addition, partner management function was only present in the larger companies, as suggested by Dyer et al (2001). Secondly, as size affected the volume of partner management activities; the scope of internationalization had an effect on the choice of partner management elements and activities. High scope of internationalization required a more formal yet flexible partner management process whereas low scope of internationalization relied more on informal relations and personal management.

This research is an inductive study based on the data collected by Ruokonen et al. (2008) in a previous research project “Global Network

Management". The cases selected for this research received varying level of attention from the previous researches, as cases A and D had multiple interviews with different managers whereas cases B and C had only one manager interviewed.

In addition, this research concentrated only on four case companies. Even though this allowed a more detailed and thorough analysis on the various elements of partner management, these findings cannot be generalized. In addition this research did not take into consideration the industry of the case companies. In fact, each of the companies was operating in different industries. Company A produced industrial design software whereas company B offered electronic data interchange software. Company C on the other hand operates in the multimedia industry and company D provides banks with mobile solutions. Therefore the elements of the industry and sector could have had tremendous effects, yet those were not taken into consideration. The success of the company in their respective domains was also left out and therefore this research is not arguing about the usefulness of the described elements.

In fact, the usefulness of certain elements of partner management should indeed be researched to determine whether certain tools are more useful than others. The purpose of this research was descriptive and we believe that based on the results, there is indeed many elements that could use additional focus. A more quantitative take would serve the generalization better, especially concerning the relation between partner management and the success of internationalization.

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