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There were a number of key findings from the study. First, that SME's will turn first to businesses with whom they have satisfactory relationships when selecting alliance partners using the network of previous alliances as an important information source to dispel risk. Second, that if businesses do not have prior relationships that they can use, they will turn to third party networks to identify potential partners. Only failing this will they search more widely. Finally, that alliance behaviour in this study is best understood in the context of the supply chain as a whole.

Keywords: strategic alliances; Fresh Produce Industry; social networks

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Introduction

This paper examines the search and selection processes used by small and medium sized enterprises (SMEs) who seek partners for international strategic alliances. International strategic alliances are defined, following Parkhe (1991) as "relatively enduring inter-firm cooperative arrangements which utilise resources from autonomous organisations based in two or more countries", covering a variety of contractual forms from joint equity ventures to contracts and less formal but long term understandings. Such alliances across national boundaries have grown in importance and have been shown to be a successful relationship form (Kauser & Shaw, 2004).

In the search for success, one major element must be the initial choice of a suitable partner (Barkema & Vermeulen, 1997; Gulati, 1998; Inkpen 2001; Shenkar & Zeira, 1992; Wilkinson, Young and Freytag 2005) and research by Glaister & Buckley (1999) shows that the quality and extensiveness of the evaluation of the partner prior to selection plays a role in success. Nevertheless, relatively little is still known about the way in which partners are actually selected, as Supphellen et al (2002) note. There has also been relatively little research which focuses on the processes by which small and medium sized enterprises (SMEs) seek international partners. The bias, particularly in supply chain alliances, has been towards research on large focal firms who have exploited bilateral dependencies (Harland et al, 2004). Many empirical studies do not distinguish alliances by purpose and alliances to access new markets are treated similarly to those seeking access to technologies or to those seeking partners from an earlier stage in the supply chain, although differences in the purpose of the alliance may require different selection processes. In addition, we are not aware of studies which have examined the interrelationship between search and evaluation processes. The purpose of this study is to attempt to fill this gap by an empirical study of international strategic alliances in the UK fresh produce sector.

We hope that our findings inform understanding of the interplay between existing experience, industry networks and the time and resource constraints facing small and medium sized businesses in strategic decision taking in this area.

The search for partners

Strategic alliances have been studied from a number of theoretical perspectives that provide distinctive yet overlapping reasons to explain the motives underlying the entry of firms into strategic alliances, the conditions under which strategic alliances are likely to be formed and the types of strategic alliances that are likely to be formed. These include transaction cost economics (Hennart 1988; Williamson 1985); perspectives focusing on strategic or resource needs of firms (Barney 1991; Garcia-Pont and Nohria 1999); and social structural explanations (Gulati 1999; Gulati and Gargiulo 1999). Critiques of both the resource-based perspective and the transaction-cost perspective is that they do not address the issue of the search and selection of alliance partners. They assume, either implicitly or explicitly, that the availability of opportunities to form an alliance is not a constraint and that the supply of alliance partners is infinitely elastic (Ahuja 2000; Shan, Walker and Kogut 1994). Network theory argues that an analysis of the social network within which most firms are embedded helps provide an understanding of the organisational processes that underlie alliance decisions and specifically addresses partner selection and search (Gulati 1999; Khanna, Gulati and Nohria 1998; Supphellen et al 2002).

It is argued that the information provided by the network of previous alliances counterbalances many of the risks associated with alliances and can be instrumental in firms' choice of partners (Eisenhardt and Schoonhoven 1996; Zajac and Olsen 1993). Networks also make opportunism more costly because of reputational effects (Gulati 1995). Indirect ties through common partners can encourage alliance formation by making firms aware of each other (Gulati 1995; Van de Ven 1976) and can serve as an important basis for enforceable trust (Burt and Knez 1995; Portes and Sensenbrenner 1993).

We start by examining the search for potential partners. Ford et al (1986) note that the process of partner search may in fact be interactive with two or more parties, rather than one active and one passive party, but most research has concentrated on only one partner who is assumed to play the active role, usually in a dyadic relationship. Even so, there has been only a small amount of fragmented research (Doz 1996; Gulati 1995; Supphellen et al 2002).

Lewis (1990) suggests that businesses vary in the rigour and extent of search, ranging from those who carry out no search and who select partners solely from within existing relationships to those who carry out widespread search prior to selection. This may be explained in various ways. Pearson and Ellram (1995), researching domestic supply chain alliances in the US electronics sector, suggest that larger firms are more likely to have highly formalised search processes than small firms. Granovetter (1985) and Gulati (1995, 1998) conclude that businesses, as well has having a preference for familiar partners (see below), will use existing networks for information about potential partners. Trusted sources are a better source of information about future behaviour than selecting partners without this information. Tomlinson (1970) notes that some businesses will not search widely because choices are constrained by more powerful members of the supply chain. More recently, Supphellen et al (2002), building on the work of Granovetter (1992) and using a survey of small and medium sized Swedish businesses, looked specifically at information seeking processes and focussed on the roles of two sources of information: direct personal information (DIRPI) and indirect personal information (INPI). DIRPI was defined as derived from direct contact with representatives of partner companies and INPI as information about partners from third parties such as competitors, customers or suppliers. The findings suggest that the closer to the strategic core of the business, the more likely there will be considerable search with both DIRPI and INPI as information sources. They also found that the more dissimilar potential partners were from the focal partner and the higher the perceived risk, the more use was made of direct contact with the partner as an information source. Supphellen et al (2002) did not find any association between the level of relational risk or opportunism in potential partners or between past experiences of success or failure in co-operation and the choice of either DIRPI or INPI. However, a limitation of the findings is that they were based on hypothetical questions and not actual alliance behaviour. The impact of previous experiences with potential partners or networks was not examined. For our purposes, a further limitation was that the main emphasis was on alliances for exports, rather than the supply alliances that are the focus of the present study.

Selection

Evidence on selection criteria comes from a number of different sources but is again fragmented. Some criteria have been identified by research on success factors in alliances i.e. the partner characteristics which make alliances more or less likely to be successful. This literature does not tell us what selection processes took place but it does identify the partner characteristics most likely to contribute to alliance success. Other more limited research comes from studies of the selection process itself and concentrates on criteria used in selection. There is some convergence of ideas, although the starting points are dissimilar and the link between search and selection criteria typically is not made.

Businesses do not operate in a world where perfect information is available on partner characteristics or on how many suitable potential partners exist (Gulati, 2004). Businesses make judgements about the future performance, compatibility and trustworthiness of partners based on other information. The most obvious set of criteria are derived from the resource-based perspective. Partners must possess the necessary resources including financial, management and technical competences (among others: Kogut, 1988; Geringer 1991; Nooteboom, 1999; Glaister and Buckley,1999).

For the alliance to be successful, partners should also be compatible and able to work together because successful alliances have mutually agreed objectives, strategies and performance targets (Child & Faulkner,1998; Das and Teng, 1998; Glaister & Buckley, 1999; Faulkner & de Rond, 2000; Boddy et al, 2000). Partners should not compete with each other within the alliance. Both partners should see benefits from the outcomes of the alliance which are substantial enough to offset opportunism or “free rider” problems where a partner uses knowledge gained within the alliance to work with other partners or to absorb the activity within their own business (Das & Teng, 1999). In a supply chain context, this might take the form of using knowledge to switch to partnerships with competitors or to bypass partners and go directly to customers. This set of partner characteristics is more difficult to evaluate ex ante than questions of adequacy of resources. Future behaviour is a less tangible construct, although there is some evidence that businesses try to evaluate commitment and compatibility independently of other partner characteristics (Tomlinson & Thomson, 1977).

As an alternative to forecasting future commitment directly, businesses may use proxies. The first proxy to be explored is the role of prior relationships. Glaister and Buckley (1999) did not find prior associations to be correlated with actual alliance success but social network theory suggests that businesses are more likely to select partners with whom they have had previous associations (Granovetter, 1985; Gulati, 1998, 2004) since behaviour in a successful prior association can be a reliable predictor of future behaviour. Mutual knowledge makes it easier to develop joint management of the alliance and learning new tasks is probably easier with a familiar than an unfamiliar partner (Saxton, 1997). Mutual knowledge and prior satisfactory association also reduce risk. Success is more likely when the alliance is embedded in mutual interdependence through networks of other relationships (Gulati, 2000). This conclusion is also consistent with the buyer behaviour literature which suggests that supply chain relationships are increasingly long term (Lundgren, 1995; Choi & Hartley, 1996; Harland et al, 2004).

The second group of proxy variables that might be relevant in partner selection, particularly when there are no suitable prior relationships, are measurable characteristics of potential partners such as partner size, financial status, market status or market share. Here existing evidence is inconclusive. Some research has suggested that businesses are more likely to choose larger partners with larger market shares (Tomlinson, 1970; Tomlinson & Thomson 1977) because larger businesses are more likely to have adequate resources and management skills, but other research has not supported this hypothesis (Geringer, 1990). Dacin et al (1997) suggests that financial viability will be an issue. Turning to international alliances, it is suggested that businesses are likely to seek partners of similar size (Daniels, 1971) or ones with similar company or national cultures to themselves. Glaister and Buckley (1999) conclude that cultural proximity and alliance performance are positively related and Park & Krishan (2001) found that cultural characteristics affect partner selection criteria. But others (Park & Ungson 1997; Barkema & Vermeulen, 1997) suggest that other factors are more important and that learning can offset these problems.

The small business dimension

We are particularly interested in how the characteristics of small and medium sized enterprises, the focus of the present study, influence alliance behaviour. Only Lewis (above) contrasted large and small businesses but we can make predictions from the general small business literature. SMEs are particularly dependent on ties of trust and co-operation and on the use of social networks (Shaw & Conway, 2000), so the latter are likely to play a key role in the choice of partner. Small businesses have less sophisticated and more flexible structures with fewer rules and regulations and use predominantly verbal communications (Carson et al, 1995). Because decision-making is concentrated in the hands of owners or managers they do not use formal processes, even if they could afford them. Formal planning systems are rare and processes are informal, unstructured and sporadic with a passive search for alternatives. This supports the Lewis (1990) finding, suggesting that they are unlikely to use complex selection, search or evaluation processes. SMEs also cannot commit larger amounts of resources to new opportunities so will adopt incremental processes wherever possible (O'Gorman, 2000). Turning to the international dimension, we also know that lack of knowledge and lack of resources make international activity difficult – which is likely to affect search. Further, lack of specialist expertise and market power can place small organisations at a disadvantage in buying (Carson et al, 1995) so this may also extend to the selection of international alliance partners: they may not have the same choice set as larger companies.

SMEs selection of international alliance partners

Integrating the literature described above we propose one over-riding proposition. This is:

Proposition A: The social network that a firm operates within influences both the motivations for firms to form alliances and the alliance opportunities made available to that firm.

This proposition is derived from the network perspective and highlights the influence of the social network that the alliance partners operate within on both the motivations for firms to form alliances and the alliance opportunities made available to that firm (Gebrekidan and Awuah 2002; Giddens 1984; Gulati 1995, 1998, 1999 ; Khanna, Gulati and Nohria 1998; Pitt et al 2005). The social network refers to the prior direct and indirect relationships between firms that are used as an important source of information for firms about the reliability and capabilities of potential partners.

The influence of the social network on various facets of alliance formation have been studied empirically by researchers. Some have examined the role of networks in the cumulative frequency of future alliances by firms (Cook and Emerson 1978; Gulati 1995; Kogut, Shan and Walker 1992; Eisenhardt and Schoonhoven 1996); others to alliances with new partners (Walker, Kogut and Shan 1997); others to the precise nature of inter-firm relationships (Gulati 1995; Gulati and Singh 1998); and others to their effects on the structure and performance of alliance relationships (Zaheer and Venkatraman 1995; Dyer 1996).

From this general proposition we propose a number of research propositions:

1. *SMEs will turn first to businesses with whom they have satisfactory relationships when selecting partners.*

   Gulati (1995) argues that the network of previous alliances between potential partners is used as an information source by them and can dispel the riskiness of alliances and be instrumental in the formation of new alliances and in firms' choices of partners (Eisenhardt and Schoonhoven 1996; Gulati 1995; Li and Rowley 2002; Zajac and Olsen 1993). He argues that information provided by networks serves as an important basis for trust between potential partners by providing information to partners about each other's reliability and reinforcing a concern for reputation (Gulati 1995). Heide and John (1990) found a positive association between the historical length of an alliance relationship and expected continuity of future interactions and thus argue that a long and stable history of prior business can build trust and commitment (Ruekert and Walker 1987; Van de Ven and Ferry 1980). This reflects the findings on the importance of using existing relationships to minimise risk and reduce search costs, reinforced by the limited resources of SMEs for search internationally and the lack of formal planning processes.

2. *If businesses do not have prior relationships that they can use, they will turn to third party networks to identify potential partners. Only failing this will they search more widely using DNPI and INPI.*

   A number of scholars argue that indirect connections through common partners can play an important role in leading to new alliances between firms (Burt and Knez 1995; Gulati 1995; Kreps 1990; Portes and Sensenbrenner 1993; Raub and Weesie 1990; Van de Ven 1976). The simplest form of indirect connection is two firms sharing a third partner. As Gulati (1995) argues, two such firms are likely to have access to more information about each other than two firms with no such connection. He argues that information gained through third-party ties serves two purposes. First, by serving as effective referral networks, indirect ties make firms aware (or more aware) of each other (Van de Ven 1976). Second, common ties can also serve as an important basis for enforceable trust (Burt and Knez 1995; Kreps 1990; Portes and Sensenbrenner 1993; Raub and Weesie 1990). The anticipated utility from both a tie with a given partner and those with shared partners motivates good behaviour. Each partner's awareness that the other has much to loose from behaving opportunistically enhances its confidence in the other.
   There is evidence that SMEs make particularly strong use of networks and again resource constraints will limit the desire to search more widely. It is suggested that the findings of Supphellen et al are most relevant to more active "new task" search situations.

3. *Evaluation processes will be informal i.e. without the use of detailed quantification of alternatives and will be carried out by small numbers of senior managers only.*

This is consistent with the evidence of rapid decision making by SMEs because management teams are small and resource constrained (Lewis 1990; O'Gorman, 2000).

4. *Potential partners must meet minimum values for critical success factors, but most weight will be placed on empathy between partners*

   This is consistent with the findings of research on success factors, which suggests that, subject to meeting economic and technical criteria, compatibility is of greatest importance in achieving successful outcomes from strategic alliances (Hoffman and Schlosser 2001; Wilkinson et al 2005).

Study methodology and population characteristics

The findings reported here are part of a wider research enquiry, exploring processes of strategic alliance formation and determinants and measures of successful relationships. Most previous research in this area is quantitative in nature or based on very small numbers of case studies (Gibbs 2003), yet it has been limited by the inadequacy of measures used to assess the significance of the frameworks presented. This has led scholars to call for more qualitative approaches to this area to reach a deeper understanding of the subject (Buckley and Chapman 1997; Driscoll and Paliwoda 1997; Glaister and Buckley 1998; Parkhe 1993; Tsang 2000). Taking account of this, the issues discussed above are explored and developed through the use of a qualitative approach, allowing an understanding of a 'complex, holistic picture' (Cresswell 1998). Data was collected from secondary sources, extensive semi-structured interviews with one or more members of the senior management team of the UK businesses, participant observation in meetings with overseas partners in three European countries and the use of records and follow-ups with one or more senior members of each business over eight months. Data was gathered covering the entire period for which each alliance had been operational.

The findings cover thirty-two active alliances involving sixteen UK growers who supplied fresh produce – field and protected vegetables, potatoes, fruit and flowers - mainly to the UK market, with some limited exports. The sample was chosen on a non-probability judgement basis. It was stratified in terms of geographical area and produce type to obtain a spread of producers across the country and covering the main produce types. A range of firm size and ownership profiles were chosen. Only one firm contacted who was currently involved in an international strategic supplier alliance declined to be interviewed due to the sensitivity of the area. The study covered all the alliances of 10 of the growers while for the remaining 5, between 10% (one grower was involved in more than 15 international strategic alliances) and 50% of alliances were covered. Where only a subset of a grower's alliances was covered, the alliances selected were representative of the grower's overall experiences. The growers were a mix of ownership types: 5 grower co-operatives, 10 private companies (of which many were family owned businesses) and one subsidiary of a larger food company. Businesses ranged in turnover from £5m to £65m. . Other UK growers were excluded from this study because they were not involved in international partnerships. The age of the alliances varied from ones more than ten years old to three that were starting up (Figure 2.1). Nineteen (60%) of the alliances were with Spanish growers, unsurprising since Spain is the major out of season supplier to the UK market (Gibbs 2003) but the partners came from 10 countries in Europe, South America and Australasia and growers had a choice of partner countries for each product. Most alliances were concerned with relatively small product ranges but there were differences in product positions. Some alliances dealt with large volume main market lines while others were concerned with lower volume specialist products. Most were the first and only alliances in which the companies were involved.

Although single-industry studies limit the generalisability of results, they do enable greater control over sources of extraneous variation due to industry characteristics and external environmental factors (McDougall and Robinson 1990; Spekman and Gonhaug 1986)

There is no consensus for the analysis of qualitative data, but what is of central importance is that purpose guides analysis (Patton 2002). Instead of statistical significance, qualitative findings were judged here by their substantive significance, following Patton (2002). Patterns and themes were identified in the data following a variation on content analysis outlined by Miles and Huberman (1984) and Easterby-Smith, Thorpe and Lowe (1991). Following Patton (2002) our analysis dealt with the challenge of convergence in the data, by looking for what things fitted together. Patterns of data were assigned into categories and judged according to internal homogeneity and external heterogeneity. Following this, links between constructs were examined. There was also careful examination of deviant cases that did not fit the dominant identified patterns. Cognitive mapping was undertaken to find the causal chains in the data and so help in analysis.

Survey findings: the logic of the strategic alliances

All the alliances had similar objectives. UK growers sought partners who could work with them to supply the UK market outside the UK growing season and to develop new product ranges. The drive came from UK multiple retailers who sought to transfer responsibility for supplying fresh produce outside the UK growing season from themselves to UK growers. They have large market shares and purchase large volumes from limited numbers of suppliers (Fearne & Hughes, 1999). The alliances took on joint quality assurance, procurement, re-packing and product development responsibilities for the out-of-season supplies. This was an attractive opportunity for overseas growers, offering easy market access a large market and low marketing costs.

The performance of the alliances was important to the UK growers because without alliances, the key relationships with UK multiple retailers were jeopardised. But equally, there were risks. Switching to other partners might take a year until the next growing season and there was risk that by that time other growers might have taken the best partners. There was relational risk because the knowledge given to overseas partners about products and supply systems was valuable and could be used by the partners to switch to other UK grower partners or to try to deal directly with UK retailers. There were also set up costs and in some cases (see below) UK growers gave financial support to partners to develop the alliance.

Using perception as a measure of success (Krauser & Shaw, 2004) most alliances were successful (Appendix 1.1), with only two exceptions. One was an alliance where a multiple retailer, despite the grower’s wishes, had imposed the partner on the UK grower and the relationship had not developed successfully. The other failure was the result of free rider problems. The overseas partner behaved opportunistically and attempted (unsuccessfully) to deal directly with the retail customer, leading to a breakdown in trust so that the alliance was ending.

Results are reported by alliance, rather than grower, since UK growers with multiple alliances often had different experiences with different partners. The findings of the study provide broad support for most but not all of the propositions.

Proposition 1: SMEs will turn first to businesses with whom they have satisfactory relationships when selecting partners

This is supported in situations where UK growers had useful prior contacts. In the case of 14 of the alliances, the UK grower made contact with businesses with whom they had previous trading experience (Appendix 1.2). They did not search for any other possible partners and moved directly to visit the partner, at which time all evaluation of the partner's suitability took place. For example:

> "Our relationship developed from importing. This was a long standing relationship where there has been mutual understanding and respect".

> "We chose our partner because we knew that their quality was good through our trade in Product A".

During or soon after the visit the UK grower proposed an exclusive alliance. In 11 of the alliances no overseas grower other than the partner was considered at any stage and all contacts were made directly by the UK growers without third party involvement. There were three exceptions where growers had prior contacts with more than one overseas grower (all in the same country). In these cases, all were visited and a preferred partner was selected after the visits (Appendix 1.3 and 1.4). This is not consistent with the Supphellen et al (2002) proposition that businesses will search extensively using multiple sources if the need for an alliance is close to the core of the business findings but it is consistent with the work on the strength of existing ties (Gulati, 1995,1998).

Proposition 2: *If businesses do not have prior relationships that they can use, they will turn to third party networks to identify potential partners. Only failing this will they search more widely using DNPI and INPI.*

In most but not all of the remaining alliances, this proposition is supported. Ten of the contacts were made with potential partners who were identified for the UK growers either by agents or by other members of the industry known to the growers such as wholesalers, suppliers of equipment and seed, agents and importers (Appendix 1.2). Little evaluation of the partner was carried out at this stage. For example:

> "We originally went to Spain through our importer. We then got contacted by B at our growers association who suggested we approach C (Spanish agent). A person there put us in touch with our partner".

> "We have contacts through seed companies that have Spanish counterparts so it is easy to contact the seed company and find out who is doing what.. Then it is a matter of cold calling."

Those UK growers without contacts from networks were more likely to visit more than one potential partner prior to choice:

> "We visited a number of people… choice was driven by finding someone with the framework of standards in place that could be built around".

But the majority of growers visited only one contact, evaluated the contact and made a decision on site – in all cases to offer the partnership (Appendix 1.5). These UK growers moved straight from identification of potential partner to partner evaluation (DIPRI) with no use of IPRI at the evaluation stage. Only one grower chose the country first and used government advice on a contact in that country.

The sizes or product ranges of UK growers did not help to explain these patterns and UK growers had a range of experiences. For example, one grower with three alliances had prior knowledge of one partner for one product area, used industry sources to identify a possible second partner and cold-called for the third product area.

Our interviews suggest a number of reasons for this behaviour. Growers in the sample viewed themselves as time pressured but this was only part of the explanation. The main information which they needed about partners was knowledge about growing methods, product handling systems and management attitudes (see below), all best revealed by personal contact. This information was sought as early as possible, even if it involved expensive and time consuming trips to remote locations. If they found a suitable partner, the search stopped i.e. they sought satisfactory rather than optimal solutions. Again, this evidence contradicts the evidence of Supphellen et al (2002) who suggested wider searches.

Proposition 3: Evaluation processes will be informal i.e. without the use of detailed quantification of alternatives and will be carried out by small numbers of senior managers only

Respondents were clear that minimum non-compensatory values on certain technical attributes were necessary. The most basic were the abilities of the partner to supply adequate volumes of quality products and to have the scope to increase volumes should the partnership develop. The overseas partner also had to be able to work to the standard operating procedures (Appendix 1.8) of the UK partner in terms of hygiene protocols, quality assurance and delivery logistics. For example:

> "Our choice of partner was based on sheer technical skills… product quality is number one. Everything else can be bolted on to that concept. Fundamental is to have people with a vision of quality production."

This explains the emphasis on and key role of DIPRI and time spent with the overseas partner prior to selection. All these attributes could be judged on site – and not so easily away from it. But these were not the most critical factors in the selection decision. UK grower evaluations were dominated by a judgement as to whether a partner had similar management philosophies and business attributes (Appendix 2.9). For instance:

> "I don't believe alliances work unless the chemistry is right between the parties"

The role of proxy factors was also explored. A majority of alliances were with larger overseas growers (Appendix 1.10) but this followed the need for product volume, rather than being a proxy for other attributes. Indeed large growers were not always selected. Both larger and smaller UK growers selected small overseas growers for lower volume speciality products (e.g. speciality tomatoes, leaf salads). There is also no evidence of businesses looking for partners who were similar to themselves in terms of size and product ranges, supporting the views of Geringer (1990). In most cases, there is also no indication that the country played a role in partner selection. As shown in Appendix 1.11, most UK growers had no previous experience of alliances in the country of their alliance partner and most had little international experience anywhere. If they had existing contacts or contacts were suggested, those leads were followed, wherever they were.

The feeling of empathy with partners could sometimes over-ride technical deficiencies. There were cases where the overseas growers required support to meet requirements. In some cases UK grower personnel were moved on to the site of the overseas partner. There were examples of direct investment and soft loans to enable overseas partners to expand facilities or purchase equipment (Appendix 2.12). In this, there was no pattern by size of UK grower or partner. Six of the alliances involved larger growers who supported smaller overseas partners but there were also smaller UK companies who also provided support for partners of a range of sizes.

There was very little checking of the financial status of partners, because such data was not readily available:

> “We did not take financial data into account … it was just not available”

Or it was not considered useful:

> “We did not look through anybody’s books… You are shown round the site and see the set-up, pack-houses etc and immediately draw conclusions that they would be able to do business”

Proposition 4: *Potential partners must meet minimum values for critical success factors, but most weight will be placed on empathy between partners*

This proposition is also supported. The initial visit to the overseas grower typically involved company directors. They were sometimes accompanied by technical staff (Appendix 2.13) but a more typical pattern was for technical staff to do more detailed follow-up visits after the basic decision to create the alliance had been made.

Most evaluation processes were informal (Appendix 1.15). All the UK growers carried out a financial appraisal of the proposed partnership prior to the visit. One used value chain analysis in setting up all 4 of its alliances but others used simpler quantification of costs against revenue streams. This analysis was used during visits as the basis for negotiation and evaluation. No grower carried out financial appraisals for more than one potential overseas partner, even when more than one site was visited. Nor did they make use of any formal multi-attribute selection models. Rather, they built up an impression which allowed them to go ahead:

> “Choice of partner was based on personal judgement and gut feeling that they had an experience and knowledge of the business that was driving it forward rather than any formal set of criteria”

> “A lot of discussion takes place very informally over dinner etc rather than in the pack-houses”

> “We don’t have tick-lists, that just intimidates people… it is much more an informal discussion”

Contact after the alliance was established was frequent – usually daily in season (Appendix 1.16) – and considerable emphasis was placed on the process of building commitment and convergence of attitudes and objectives with the partner so that the alliance would succeed quickly.

> “We have daily contact at all levels. If we are close we can spot when things are going wrong and react before problems become insurmountable.”

In only two cases were legal sanctions offered as a means of binding partners (Appendix 1.8). This largely reflected the circumstances of the UK growers who did not have contracts with the UK retailers. Indeed, many in discussion indicated that they would prefer a stronger contractual chain but they could not offer this to potential partners because of the insecurity of their own downstream positions with the retailers. They did demand exclusivity i.e. that their partner would not enter any other alliances for similar products with other UK growers (Appendix 1.8) but this was an informal and not legally binding understanding:

> “We have no formal contract. It’s a gentleman’s agreement”

This reinforces the role of empathy and commitment and the importance of making the alliance mutually profitable. These were the only protections against free rider problems, but it is a recipe that succeeded. There were no differences in behaviour between firms of different size or ownership characteristics.

Figure 1 shows the relationship between search and selection. This suggests that initial knowledge and experience will dictate the search process but that final evaluation processes were similar, regardless of starting point.

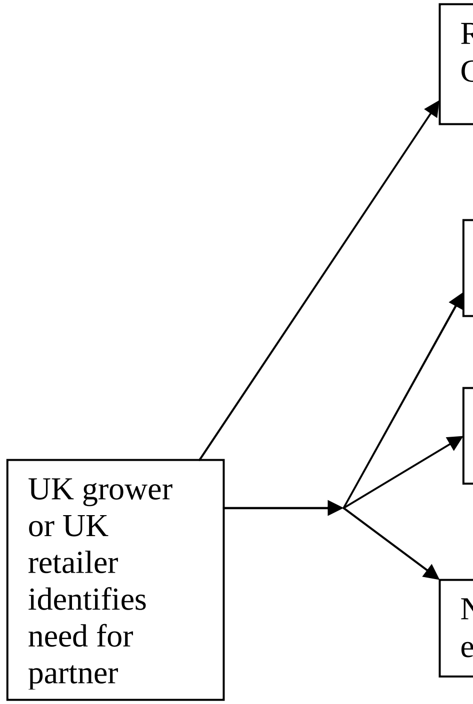
Conclusions

The findings of any single sector study can only be used with great caution because we cannot draw conclusions about replication in different environments. Nevertheless, some findings are consistent with other studies, notably the role of prior relationships and networks in the decision process. The social network that the firms operated within was a key influencing factor on strategic alliance partner choice. It allowed partner firms to develop ‘swift trust’ in potential partners. The SMEs also behaved in the way in which more general theories of small business behaviour would predict. The firms in this study were shown to behave in a satisficing rather than maximising approach to partner search. Once they had found a satisfactory partner that they were happy with, they would not continue searching, in contrast to findings by Supphellen et al (2002) that businesses will search extensively using multiple sources if the need for an alliance is close to the core of the business findings but consistent with the work on the strength of existing ties (Gulati, 1995,1998).

The study also raises other issues. First, by separating the different decision stages, it is possible to identify different processes at different stages and different routes to decisions which varied depending on past experience and knowledge. We suggest that this is likely to be replicated in other studies. Secondly, our approach enabled us to identify the multi-faceted role played by powerful members of the supply chain outside the dyad, as well as the roles played by other members of the supply chain. This suggests that other studies of supply chain alliances should consider alliances in relation to their position in the total supply chain. Third, our findings suggest that SMEs can be confident international operators, willing to operate in unfamiliar cultures and able to make successful decisions quickly and it would be interesting if this is replicated in other studies of alliances initiated by SMEs. Finally, it reveals that processes can be best understood in the context of knowledge of the information required and the most effective way of acquiring it. These will vary by context and alliance purpose, suggesting the value of more sector specific studies.

Abstract preview

Figure 1 Stages in the selection
alliance partners



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Appendix 1:Findings of the study

1.1 Alliance success			
Yes	No –ending	New Trial	TOTAL
27	2	3	32

1.2. Source of knowledge of partner	
Source	Number
Retail customers	2
Other customers	2
Prior trading relationship	14
Export agents	3
Importers	2
Government- embassy	1
Cold call from list	3
Partner	2
TOTAL	32

1.3 Role of visits to potential partners																	
By UK grower to partner				By UK grower to >1 potential partner				UK grower visit + partner visit UK			By customers Prior to agreement			Retailer vetting post agreement			
Yes	No	DK	∑	>1	1	No	∑	Yes	No	∑	Yes	No	∑	Yes	No	DK	∑
26	1	5	32	5	1	26	32	1	31	32	0	32	32	26	0	6	32

1.4 Prior relationships and visit patterns				
No other potential partners visited/contacted	Visits to others with prior trading relationship	Visits to others with no prior relationship	Visits > one country	TOTAL
11	3	0	0	14

1.5 New relationship and visit patterns			
Customer chose	Selected partner visit only	Visit > one potential partner	TOTAL
2	9	7	18

1.6 Initiator of contact					
Customer	UK Grower	UK grower + parent firm	Agents/importers/ wholesalers	Partner	TOTAL
2	24	1	3	2	32

1.7 Initiator of need for alliance					
Customer	UK grower	UK grower & parent firm	Partner	Export agent/wholesaler	TOTAL
6	20	1	2	3	32

1.8 The agreement									
Standard Operating procedures			Written contract			Exclusivity			
Yes	No	TOTAL	Yes	No	TOTAL	Yes	No	Customer Control	TOTAL
32	0	32	2	30	32	29	2	1	32

1.9 Dominant choice criteria N= 32, multiple responses								
Product Quality	Price	Delivery conditions	Volumes	Technical skills	Management skills	Attitudes	No choice	Investment by partner
3	4	4	6	23	16	12	2	3

1.10 Partner characteristics							
Turnover			Size of partner				
Known	Unknown	TOTAL	Large	Medium	Small	DK	TOTAL
3	29	32	14	2	12	4	32

1.11 Previous experience in country of partner			**4. Other previous overseas experience**		
Yes	No	TOTAL	Yes	No	TOTAL
4	28	32	0	32	32

1.12 The Commitment N= 32				
Number of growers making loans to partner	Number of growers supplying staff to partner	Number of growers investing with partner	Number of growers supplying staff training	Number of growers supplying materials
3	10	4	11	3

1.13 Contact				**1.14 Visit by** N= 32, multiple response								
Number start up visits				Managing Director/ owner			Addition other technical staff			Addition other staff		
> 1	1	0	TOTAL	Yes	No	Σ	Yes		Σ	Yes	No	Σ
0	31	1	32									

1.15 Evaluation								
Value chain analysis			Financial feasibility study			Multi-attribute models		
Yes	No	Σ	Yes	No	Σ	Yes	No	Σ
*4	28	32	32	0	32	0	32	32

1.16 In alliance contact patterns									
Mutual visits per annum							Multiple retail visits		
>4	3-4	2-3	1 or 1+	.<1	As needed - unspecified	TOTAL	Annual or >	No	TOTAL
1	3	7	6	1	14	32	11	23	32

* all with same UK grower