

The role of relational capabilities in the organization of international sourcing activities

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Abstract

This paper proposes a relational capability framework to investigate the main organisational patterns in managing international sourcing activities by multinational companies (MNCs). Specifically, this framework will be adopted in order to examine the current understanding - developed in the academic literature - of intra-organisational mechanisms supporting international sourcing activities concerning products, technologies and knowledge. The literature review is based on the analysis – for the period 1995-2007 – of 31 leading journals in management studies. The results of the review show that limited research has been conducted on the development of relational capabilities by MNCs in the area of international sourcing. While the concept of “relational capability” is increasingly debated in the literature, contributions in the international management field have neglected the organisational dimension of the MNCs’ external relations. The relational capability framework adopted in this paper - whose components are functions, control and management processes, tools and external parties – has proven an effective tool to highlight the main elements of the “institutionalized” organizational knowledge in the management of external relations.

Keywords: multinational companies, networks, relational capabilities, international sourcing.

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Introduction

Firms are involved in networks of relations with external actors to pursue their targets and improve their performance (Harrigan, 1988; Inkpen, 2001, Gemunden et al., 1997; Ford et al., 2002). This is due to the high degree of uncertainty of the market and to the complexity of organizational and technological resources needed by companies to compete. The external network shows a highly articulated and complex structure in the case of multinational companies (MNCs), in the light of the strong variety of contexts where operational units operate (Bartlett, Ghoshal, 1989; Doz et al., 2001; Forsgren et al., 2005). Thus it could be argued that the overall efficiency and effectiveness in the management of the MNCs' external networks could be shaped by the organisational solutions adopted in the interface between the internal and the external network.

This paper aims to propose a relational capability framework in order to investigate the main organisational patterns in managing international sourcing activities by MNCs. Specifically, this framework will be adopted in order to examine the current understanding - developed in the academic literature - of intra-organisational mechanisms supporting international sourcing activities concerning products, technologies and knowledge.

This topic is relevant for two main reasons. Firstly, the goal is to "apply" the concept of relational capability to a specific context as the MNC; in this work the MNC is conceived as a "research context" (Roth, Kostova, 2003) to examine in depth a relevant and emerging issue within management research.

Secondly, this paper represents a preliminary attempt to shed light on the organizational capabilities required for implementing international sourcing activities. Quintens (et al., 2006a) develop a comprehensive review of published contributions on the topic of global purchasing, focusing on antecedents, consequences and process models of global purchasing; the authors highlight that "more effort is needed in identifying and measuring purchase-related resources and capabilities" (Quintens et al., 2006a: 889). In the same line of reasoning Mol (et al., 2005: 615), while examining antecedents and performance consequences of international outsourcing, highlight the possible role of "learning, experience and organisational procedures" in the management of relations with international suppliers. In another recent article Jahns (et al., 2006: 225) argue that "there is a wide variety of organisational theories that might provide additional insights regarding offshoring". Therefore this paper aims to provide a preliminary contribution in filling this gap by addressing the topic of relational capabilities, which is a specific and increasingly relevant dimension of international sourcing activities.

The paper is structured in four sections. The first paragraph examines the concept of "relational capability", as it is recently developed in the fields of strategic management and industrial marketing and purchasing. The second paragraph analyses the role of external networks for the MNC, focussing on the international business literature. The third paragraph introduces the literature review methodology and examines the research results on the organizational solutions adopted by MNCs to support the interaction with external partners within international sourcing activities. The fourth paragraph develops conclusive remarks and outlines further avenues for research.

1. The role of relational capabilities

There is wide evidence that firms are engaged in relations with other actors capable to provide resources and support for production, technology development and marketing activities (Narula, Hagedoorn, 1999; Inkpen, 2001). Thus the firm acts as a node of a network of relations whose intensity and features might vary in function of strategic objectives and time horizon of involved actors. In some cases firms aim to develop structured and intense relations with other partners along a stable pattern over time. Such cooperative relations are so relevant that they are perceived as "strategic alliances" in the light of their value for gaining competitive advantage. Thus partner

companies accept to share costs, resources and often organisational structures, with the objective of pursuing complementary goals. The increasing adoption of such approach is mainly due to the growing competition in many sectors, pushing firms to involve external resources whose internal autonomous development is too complex, risky and costly (Inpken, 2001).

The development of relational architectures is shaped by the fast change of competition patterns. On the one hand there is evidence of forms of “network competition” among networks of partner firms (Capaldo, 2004); on the other hand inter-firm relations show a strong degree of complexity, due to the co-existence of both cooperative and competitive attitudes, as proposed by authors introducing and developing the concept of “coopetition” (Branderburger, Nalebuff, 1996; Padula, Dagnino, 2007). Partnerships among firms are not always in line with expectations: various empirical studies highlight strategic alliances in crisis (Das, Teng, 2000; Park, Ungson, 2001).

The management of firm’s external relations is becoming an emerging topic within the strategic management literature. Firms should be aware of risks deriving from pursuing such option and of the need to develop resources to manage such initiatives: along this line of reasoning various authors aim to examine specifically how firms manage and organize external relations, introducing the concepts of “relational capability” (Lorenzoni, Lipparini, 1999; Capaldo, 2004), “alliance capability” (Kale et al., 2002; Heimericks, 2004), “alliance competency” (Zajac, 1998).

The “relational capability” is perceived as an organisational asset for making firms competitive (Capaldo, 2004). Therefore the strengthening of this capability is crucial for both pursuing higher efficiency and capturing learning opportunities through the acquisition of new knowledge generated by the interaction among partner companies. Thus the management of relations among firms might be better investigated through the knowledge theory of the firm (Lorenzoni, Lipparini, 1999; Capaldo, 2004). Another distinctive element of this stream of studies is the emphasis on the integrated management of multiple relations, rather than single dyadic patterns (Lorenzoni, Lipparini, 1999; Capaldo, 2004; Goerzen, 2005).

Therefore the concept of “relational capability” is developed within perspectives highlighting the internal attributes of the firm, shaping the performance of joint activities with external partners (Capaldo, 2004; Heimericks, 2004). One crucial factor is the firm’s experience, through which the firm is capable to acquire and develop knowledge about how to manage its network of relations (Lorenzoni, Lipparini, 1999; Capaldo, 1999; Anand, Khanna, 2000); thus the capability to manage, develop and strengthen relations with external actors could be qualified as a “dynamic capability” (Capaldo, 2004).

However, various authors underline that there is still lack of in-depth studies on the main elements of such capabilities and the necessary conditions for its development (Zajac, 1998; Kale *et al.*, 2002; Heimericks, 2004). According to Kale (*et al.*, 2002: 748-749) “detailed studies of what exactly constitutes an alliance capability are virtually non-existent; (...) we still lack knowledge with regard to what is involved in developing an alliance capability”; one of the aspects to be examined better is how “prior experience translates into a capability”.

A few contributions in the strategic management literature attempt to specify the nature and the main features of the firm’s relational capability. In many cases organisational mechanisms are based on inter-organisational routines having a tacit element, which might over time be gradually subject to codification efforts and then shared with other business partners (Zollo *et al.*, 2002). The emphasis on codification activities and thus on organisational strengthening of routines and procedures is highlighted in various studies. According to Capaldo (2004), relational capability is based mainly on “selection ability” of external partners and on the capacity of accessing resources which are supplied and shared by them. Heimericks develops an in-depth analysis of organisational mechanisms for the management of external relations: “an alliance capability is posed to consist of the institutionalised managerial mechanisms a firm has in place to manage and optimise its alliance performance” (Heimericks, 2004: 24). Such mechanisms might be structured in specific functions (as an Alliance Department), tools (as an information system), management and control procedures

(as an incentives system), involvement of external actors (as external consultants) (Heimericks, 2004).

The issue of managing relations with external actors is addressed also by studies in the field of industrial marketing and purchasing. Contributions developed within the IMP approach highlight the complex nature of the management of external relations with other organizations (Ford et al., 2002). The complexity derives from the continuous interaction among companies, detaining heterogeneous objectives and resources, which cannot be controlled by one company alone in pursuing its targets. Therefore each company has a limited ability to choose and implement its own relational strategy, in the light of the interdependence with choices and behaviours by interacting companies; thus external networks cannot be controlled by one single company. In this line of reasoning companies' networking is not unidirectional but interactive, and is characterized by limited freedom and a combination of cooperation and competition. Networking is also influenced by previous experiences and thus is dependent on learning processes generated by interaction with external actors.

Within such theoretical approach, some authors have started to develop conceptual reflections related to the attitude and organisational processes implemented by companies while interacting with external organizations. Ivens (et al., 2007) recognize the need to develop additional research into the intra and inter-organizational arrangements implemented by firms while interacting with their customers. Such dimension, notably the organization of marketing and sales, has received limited attention within the IMP perspective and could be investigated, with fruitful results, considering the conceptual tools based on the network approach. In another contribution McDowell and Ford (2001) choose to focus specifically on the impact of intra-organisational processes on the way relationships are managed on the buyer-side. They apply organisational design concepts and shed light on the role of organisational structures on the interaction between buyer and supplier.

Other authors propose new concepts to highlight the behaviour of companies towards the network of relationships they are involved in. Gemunden and Ritter (1997: 297) place emphasis on the development of "network competence", which is defined as "the resources and the activities of a focal company to generate, develop, and manage networks in order to take advantage of single relationships and the network as a whole". Network competence is considered relevant to effectively deal with the portfolio of interacting companies and therefore also with single relationships. A basic component of such competence is knowledge about networks, such as knowledge on "best practices in networking" and on capabilities and skills of potential partners. Such knowledge could increase thanks to learning through continuous interaction with external actors. Moreover the firm could implement various activities in order to deal with the network, such as setting up communication tools and monitoring the evolution of the network itself. In a more recent work, Gray (2004) proposes the distinction between "relational competence", which has an inter-personal dimension and depends on the competences detained by single managers, and "alliance competence", which instead is related specifically to the organisational architecture.

In another contribution Johnsen and Ford (2006), attempting to integrate strategic management literature on the role of capabilities and the network approach, propose the concept of "interaction capability" within an exploratory research on the behaviour of small suppliers towards large customers. Their main insights is that firms detain interaction capabilities, whose value and impact could be assessed only within the specific relationships, and notably in relation to the perceived importance attached by the partner company.

In a recent work (Salle et al., 2007) focus their attention of the role of alliance managers within relationships among IT sector companies. Such organisational solution is able to cover both the strategic and the operational dimension of managing relationships with external actors. The authors highlight one distinctive feature of such choice: it is an organisational mechanism reflecting "relationships with a high degree of keyness for the company", whose relevance differs, under the company perspective, in a significant way when compared to standard relationships; therefore such

management tool, allowing the company to gain access to external resources, which are strategic for the company, could be perceived as a resource detained by the company itself.

2. Multinational companies' networks

During the last twenty years foreign direct investment flows have greatly increased, showing the international expansion of firms pursuing the development of production networks and the exploitation of market and technological opportunities. Therefore MNCs have created subsidiaries in various countries, spreading the value chain internationally. This pattern has been characterized by the adoption of complex organisational mechanisms, whose goal is to facilitate coordination and integration of activities implemented in highly different local contexts in terms of economic, social and institutional dimensions. The international business literature has developed a number of organisational models in order to balance global integration and local adaptation objectives, as shown by the well-known "transnational company" model by Bartlett and Ghoshal (1989). Recent contributions introduce the "metanational model" (Doz et al., 2001), highlighting the strategic role of external linkages to promote innovative processes worldwide; universities and research centres represent relevant sources of knowledge to be exploited for the development and launch of new products. Thus external networks constitute a valuable asset for the competitiveness of the MNC (Andersson et al., 2002). Within such perspective a growing role is played by the MNC subsidiary, which is defined as "a semiautonomous entity, capable of making its own decisions but constrained in its action by the demands of head-office managers and by the opportunities in the local environment" (Birkinshaw, Hood, 1998: 780).

Local interaction is influenced by both MNC-specific and contextual factors. During the foreign expansion the company bears costs due to its "liability of foreignness" (Zaheer, 1995), which is a consequence of a limited knowledge of the local market and of its possible "outsider" role in the competition dynamics. The external environment might have different features when compared to the country of origin, and thus the MNC subsidiary might be influenced by the effect of "psychic distance", which is "the sum of factors preventing or disturbing the flows of information between firm and markets" (Johanson, Wiedersheim-Paul, 1975: 308). Therefore, existing local networks might represent a valuable resource, if the MNC manages to gain access to them, but also a difficult hurdle to overcome if the MNC is excluded (Johanson, Valhne, 1990).

Despite the increased relevance attached to relations with external actors, it seems that thus far a very limited focus has been placed on the research of "relational capabilities" for the management of relationships with other partners. Li and Ogunmokun (2001) underline the role of relational capabilities in shaping the exporting activities performance. In a recent contribution Goerzen (2005) examines the main organisational solutions adopted by MNCs to manage external partners: his study highlights that some MNCs set up specific units for alliances management, at the HQ, regional or national level; in other cases MNCs establish positions such as "relationship managers" or units such as "ad hoc alliance task forces" to strengthen and "institutionalize" existing strategic partnerships.

3. Relational capabilities in international sourcing activities

This paragraph aims to provide a preliminary assessment about the current understanding, in the academic literature, of organizational solutions which have been adopted by MNC for managing relations within international sourcing activities.

The literature review approach is based on the "alliance capabilities" concept developed by Heimericks (2004), which highlights the following "organisational mechanisms":

- functions ("individual positions or units that manage a number of critical tasks for a firm with respect to its alliances"; Heimericks, 2004: 85);

- tools (“practical mechanisms that aid in dealing with day-today alliance management issues by increasing know-how of particular stages of the alliance lifecycle or by raising alliance know-how throughout the firm”; Heimericks, 2004: 88);
- control and management processes (mechanisms “geared toward support of specific aspects of alliance management”, such as control and coordination means and incentives; Heimericks, 2004: 88);
- external parties (assets used by companies “to complement their knowledge”; Heimericks, 2004: 90).

This framework is deemed useful to highlight current research results concerning one specific aspect of relational capabilities: the organisational mechanisms representing “institutionalized organisational knowledge and routines”, linked to experience and learning processes, which might provide support in the management of relations with external actors. Therefore the focus is on the internal network dynamics of MNCs and on the intra-firm organisational mechanisms in place to support the interaction with “backward” companies, supplying tangible and intangible inputs as suppliers. This framework is deemed appropriate to provide answers to the various calls for inquiries on international sourcing within an organisational and knowledge perspective (Quintens et al., 2006a; Mol et al., 2005; Jahns et al., 2006).

The literature review is based on the analysis - for the 1995-2007 period - of 31 relevant journals in the fields of management, international business, marketing and supply chain management, following the approach adopted by Peng (2001) and Quintens (et al., 2006a).

Within the international management field, the journals reviewed are Journal of International Business Studies, International Business Review, Management International Review, Journal of World Business, which have been qualified among the main journals in this area by DuBois and Reeb (2000); in addition, the Journal of International Management has been reviewed in the light of its increasing relevance.

With regard to the marketing field, the selection of journals is mainly based on Quintens (et al., 2006a) approach: Industrial Marketing Management, Journal of Business and Industrial Marketing, Journal of International Marketing, International Marketing Review. In addition, other main journals in the marketing field (Hult et al., 1997) have been reviewed: Journal of Marketing, Journal of Marketing Research, Journal of Marketing Science, Journal of the Academy of Marketing Science, Journal of Business Research.

The selection of purchasing and supply chain management journals is based on the suggestion made by Quintens (et al., 2006): Journal of Purchasing and Supply Chain Management (formerly the European Journal of Purchasing and Supply Chain Management), Journal of Supply Chain Management, Supply Chain Management, International Journal of Physical Distribution and Logistics Management, International Journal of Production and Operations Management.

In the area of management journals, the reviewed journals include those selected by Peng (2001): Strategic Management Journal, Academy of Management Review, Academy of Management Journal, Journal of Management, Journal of Management Studies, Organisation Science. In addition, the review concerned also other journals selected by the Financial Times (2006 Survey of Top Business Schools) in the area of general management and strategy: Administrative Science Quarterly, Management Science, Academy of Management Perspectives (formerly Academy of Management Executive), Harvard Business Review, Sloan Management Review, California Management Review.

In this paper international sourcing has a wide meaning, including the suppliers’ search, selection and management; therefore selected articles are concerned with organisational activities concerning backward relations with other companies/organizations supplying inputs. The literature review does not include the intra-firm sourcing dimension, as suggested in other reviews on this topic (Liang, Parkhe, 1997; Quintens et al., 2006a).

In terms of content, this review includes articles whose focus is both mainly or partially on the organisational dimension of international sourcing activities. The survey includes articles

concerning international supply relationships, such as a buyer and its foreign suppliers or a local multinational buyer and its local suppliers; therefore some articles reviewed deal directly with the issue of managing and organizing the international supply base, while others have different research objectives, but make reference or highlight relevant insights in theoretical or empirical terms. Thus many articles dealing only with international sourcing drivers and strategies have not been included. With regard to the organisational mechanisms examined using Heimericks' conceptual framework, the main focus is on the intra-firm dimension of the management of international sourcing. Therefore supplier management practices will be considered only if they are qualified as "institutionalized practices", which are thus part of suppliers management policies within the firm. Therefore, in synthesis, excluded articles have not been considered because of their exclusive focus on:

- intra-firm sourcing of MNCs;
- normative guidelines on how to manage international sourcing activities (Liang, Parkhe, 1997);
- comparative analysis among buyers in different countries (Liang, Parkhe, 1997), without any assessment over international sourcing activities implemented at the HQ or subsidiary level;
- drivers, motivations, strategies and consequences in the area of international sourcing;
- practices implemented in specific relations with international suppliers.

All selected papers have been examined with regard to specific content categories, as suggested by Reynolds (et al., 2003):

- issues covered, according to Heimericks framework of alliance capabilities (functions, tools, control and management processes, external parties);
- focus/non focus on organizational aspects of international sourcing activities
- focus on HQ perspective, subsidiary perspective or both;
- multinational buyer country (where the identification is possible);
- supplier country (when the identification is possible);
- methodology (case-study, survey, discussion, conceptual article).

3.1 Features of reviewed articles

At the end of the analysis of selected journals a total of 47 articles have been identified and assessed. Therefore in the main management journals there is a limited number of contributions on relational capabilities in international sourcing, despite the wide consensus on the need to examine more in depth the organisational implications of such phenomenon.

During the literature analysis a high number of articles dealing exclusively on drivers, motivations, strategies and consequences of global/international sourcing/purchasing have been excluded. The main bulk of the studies, represented by 22 articles, is developed in purchasing and supply chain management journals, and this result is quite obvious. Marketing journals devote a limited attention towards such topic, and this might be due to the prevailing emphasis on the supplier rather than the buyer perspective. Also management and international business journals show a limited attention to the organisational dimension of international sourcing activities. With regard to management journals, the reviewed contributions are published mainly in more practitioner-oriented journals, while various leading outlets have not dealt at all the issue. The most striking finding is that international business journals in only six occasions have published articles related to the topic of relational capabilities in international sourcing activities; this result is not in line with the increasing attention towards global sourcing and offshoring-related phenomena.

Table 1. Reviewed Journals

Journal	Number of articles
Industrial Marketing Management	3
International Marketing Review	2
Journal of Business and Industrial Marketing	1
Journal of Business Research	4
Journal of the Academy of Marketing Science, Journal of International Marketing, Journal of Marketing, Journal of Marketing Research, Marketing Science	0
International Journal of Operations and Production Management	3
International Journal of Physical Distribution and Logistics Management	4
Journal of Purchasing and Supply Chain Management	9
Journal of Supply Chain Management	2
Supply Management Journal	4
International Business Review	1
Journal of International Business Studies	1
Journal of International Management	2
Management International Review	2
Journal of World Business	0
Academy of Management Perspectives (formerly Academy of Management Executive)	1
California Management Review	1
Harvard Business Review	2
Journal of Management Studies	2
Sloan Management Review	3
Academy of Management Journal, Academy of Management Review, Administrative Science Quarterly, Journal of Management, Management Science, Organisation Science, Strategic Management Journal	0

The timing of publications shows two distinct “waves” (Table 2). The first one at the end of the ‘90s, and this could be related to the initial discovery of global sourcing and purchasing practices by MNCs, which has been started in various books and articles around 1990. The second one is somehow under way and could be related to the magnitude of the global sourcing and offshoring phenomenon and to the involvement of both developed and emerging markets’ companies.

Table 2. Number of articles by year

Year	Number of articles
1995	1
1996	0
1997	7
1998	7
1999	4
2000	3
2001	4
2002	2
2003	4
2004	2
2005	4
2006	7
2007	2

The content of reviewed articles shows that, in terms of methodological approach, most of them are case-study or survey-based (Table 3). This result is in line with the objective of this literature review, which places specific emphasis on organisational practices and solutions implemented by MNCs in managing international sourcing projects. Notably case-studies are capable to provide more in-depth knowledge of internal processes and organisational procedures.

Table 3. Main methodological approaches

Methodology	Number of articles
Case-study	23
Survey	18
Discussion	1
Conceptual	5

As shown in the previous paragraph, the MNC could be conceived as a network of organisational units, whose role and activities might vary in function of MNCs strategies and local contexts characteristics. Two main types of actors within such network are the HQ and the subsidiaries. The review of the selected articles shows that a higher number of articles (20 over 47) provide insights exclusively on the HQ perspective; this is related to a specific focus on global sourcing approaches. A lower number of articles (12) deal with the subsidiary perspective, placing emphasis on the organisational requirements for interacting with local actors. A striking result is that there is very limited attention towards supplier management practices within international joint-ventures, which is often the MNCs' preferred entry mode in emerging markets such as China (Lihong, Goffin, 2001). An interesting and also more promising finding is that a relevant number of articles (15) focus on both levels; it could be argued that this type of approach is more in line with the complexity of the MNC organization and of international sourcing activities.

The review of articles has taken into consideration the degree of focalization on the organizational dimension of international sourcing activities. Only 22 articles over 47 have the objective, *inter alia*, to examine aspects concerning relational capabilities in the management of backward relations. The other 25 have different research objectives and touch upon such topic in a marginal way. This results confirms further that the analysis of MNCs' relational capabilities in international sourcing is still a largely unexplored area of management research. Among the "focussed" articles, it should be highlighted the relevance of a number of contributions (Giunipero, Monczka, 1997; Trent, Monczka, 2003, 2005); Trent, Monczka and Giunipero have been among the first scholars to pursue research on the organization of global sourcing activities, conducting extensive empirical research and proposing models on global sourcing approaches and processes, thus outlining a processual vision. Quintens (et al., 2006b) outline new theoretical concepts to develop a comprehensive analytical framework in the examination of the global purchasing strategy. Details on such contributions are provided in the next paragraph.

A relevant dimension of the literature review is the international context concerning empirical research. The focus on the multinational buyer side, when this information is available, has been on advanced countries in 28 articles, specifically on US, European and Japanese MNCs; in one article the focus is on the behaviour of buyer companies from Taiwan, which could be qualified as a recent industrialized country. None empirical research has been conducted, in the reviewed journals, on MNCs from emerging markets, such as India, Russia, China, Brazil. This is a major loophole in the advancement of research in management, given the increasing role of companies from such areas as customers of Western-made products and technologies and as new actors in the international flows of foreign investment.

Table 4. Country/Region of origin of multinational buyers

Multinational buyer country/region	Number of articles
US	10
Europe	9
Japan	2
US/Europe	1
Taiwan	1
NA	24

With regard to the supplier perspective, information is available on the research conducted in 16 articles. In 5 cases the analysis is developed on suppliers located in industrialized countries, while in the remaining 11 articles the suppliers' country of origin is an emerging country. A major focus is on the management of international sourcing activities involving Chinese suppliers. This finding is in line with the growing emphasis on conducting international business research addressing the complexity of managing MNCs' operations in China.

Table 5. Country of origin of suppliers

Country of origin of suppliers	Number of articles
US	1
Ireland	2
Portugal	1
Romania	1
Brasil	1
Singapore	1
China	8
Malaysia/Vietnam	1
NA	31

3.2 The analysis of components of relational capabilities

The review of articles is conducted on the basis of Heimericks' framework of relational capabilities, which is composed by a combination of functions, tools, control and management processes and the involvement of external parties. Some authors propose related concepts: Quintens (et al., 2006) argue that "purchase related capabilities may be defined on two dimensions: capabilities related to the assimilation and dissemination of information on suppliers and markets and relationship building capabilities" (Quintens et al., 2006b. 888); Petersen (et al., 2000: 32) conceive "global sourcing business capabilities" as composed by "1) awareness of cross-cultural business practices; 2) managing international leadtime risk or uncertainty, 3) knowledge of the location of core-information, experience and competencies worldwide for critical purchased items, and 4) international negotiation skills and abilities". Both contributions underline the importance of knowledge management and accumulation about supplier management practices.

The results of the analysis of each component of the relational capabilities framework are shown in Table 6. The main focus is on control and management processes, therefore on those organizational mechanisms adopted to coordinate international sourcing activities. Only three articles make reference to the involvement of external parties in order to support the interaction with international suppliers.

Table 6. Number of articles addressing the components of relational capabilities

Topic	Number of articles
Functions	14
Tools	14
Control and Management Processes	42
External parties	3

Functions

There is evidence that MNCs set up new organizational units in order to achieve a more coherent and efficient management of international sourcing activities (Giunipero, Monczka, 1997). At the corporate level the MNC might set up an Executive Steering Committee (Trent, Monczka, 2005), whose goal is to promote and supervise global sourcing processes to be implemented. In the light of the complex nature of such activities, top management commitment is highlighted as a crucial factor in developing a global sourcing approach diffused within the MNC.

At the corporate level MNCs set up various organizational arrangements such as an international purchasing group (Lihong, Goffin, 2001; Giunipero, Monczka, 1997), global sourcing project teams (Trent, Monczka, 2003), product teams for sourcing components and materials (Fynes, Ainamo, 1998), lead buying system (Gelderman, Semeijin, 2006), corporate contract coordinators (Giunipero, Monczka, 1997). These organizational solutions show different features in the light of the international or global approach and of the timing of the mandate, which could be temporary or permanent. The composition of such units reflects various combinations of corporate, functional and site personnel (Trent, Monczka, 2003); the involvement of representatives of a high number of internal actors is relevant for spreading an international approach in sourcing culture (Giunipero, Monczka, 1997). Moreover MNCs identify external personnel who might provide additional support if needed (Trent, Monczka, 2005).

A relevant dimension is the degree of alignment between the corporate centre and the operational units, often represented by industrial plants dealing with the international, national and local supply bases. One solution adopted is the involvement of a Liaison Manager among global sourcing teams and operational units (Trent, Monczka, 2003). Other studies highlight the geographical spread of units involved in purchasing within the MNCs, such as Regional Sourcing Committees (Arnold, 1999), International Purchasing Offices (IPOs; Giunipero, Monczka, 1997; Goh, Lau, 2001) and purchasing personnel in foreign subsidiaries (Giunipero, Monczka, 1997). Many authors highlight the increasing propensity of MNCs to set up IPOs, which can be more easily controlled by the corporate center and are appropriate to develop specialized knowledge and skills in searching and managing foreign suppliers.

A further solution highlighted in the literature is the delegation of international sourcing activities to trading companies, belonging to the MNCs, which are often active both in purchasing and marketing activities (Giunipero, Monczka, 1997). Such option might be qualified as “captive outsourcing”, concentrating all purchasing-related processes within a single and separate company within the MNC group.

Tools

The reviewed literature highlights tools which provide support to international sourcing activities in the area of knowledge management. The availability of qualified and skilled personnel is deemed as a crucial factor by various authors for achieving performance targets in international sourcing activities (Trent, Monczka, 2002, 2003; Harvey, Richey, 2001); a major hurdle is the heterogeneity of purchasing personnel, assigned to various sites and operational units, in terms of sourcing competences and skills (Trent, Monczka, 2003).

Hult and Ferrell (1997) address the topic of capabilities development in international purchasing by examining the role of team orientation, systems orientation, learning orientation and memory orientation in organisational learning patterns. The transfer of knowledge is promoted through training projects and initiatives at the corporate and operational level (Petersen et al., 2000; Trent, Monczka, 2002; Quintens et al., 2005), in sourcing related areas such as negotiation strategies and skills (Trent, Monczka, 2002).

Other studies make reference to specific organisational practices supporting knowledge development in the area of international sourcing. Chen (2003) and Trent and Monczka (2003) highlight the effort in collecting data and setting up databases with common coding schemes for managing information on current and potential international suppliers. ICTs and in particular intranet solutions provide an infrastructure for the diffusion within all MNCs' units of global sourcing-related manuals, rules and templates (Trent, Monczka, 2003). In some international joint-ventures documents concerning supplier management practices are bilingual (Lihong, Goffin, 2001).

Control and management processes

The reviewed literature examines various control and management processes in the area of international sourcing, highlighting the intra-firm institutionalized practices. A few studies focus on the organizational "position" within the decision-making process of MNCs. Samli (et al., 1998) analyze the role of global sourcing in strategic planning, showing that US companies are more leaning towards an opportunistic rather than a planned approach in international sourcing.

A major issue examined in the literature is the degree of centralization and coordination in international sourcing activities, and therefore the relationship between the corporate level and the operational level, notably at the business unit and subsidiary level (Arnold, 1999; Vestring et al., 2005; Faes *et al.*, 2000; Giunipero, Monczka, 1997; Veludo et al., 2004). Various conceptual frameworks have been developed. Giunipero and Monczka (1997) distinguish among following configurations:

- decentralized international purchasing, which is characterized by autonomy of business and operational units;
- coordinated international purchasing, which shows some degree of coordination within the MNC;
- centralized responsibility for worldwide purchasing, in which the corporate center has decision-making powers concerning international purchasing;
- functionally unique international purchasing groups specializing in foreign sourcing, which have a distinct role and a functional specialization in the area.

Arnold (1999) also identifies a central purchasing model and a coordination model and highlights the practice by MNCs of the "outsourcing model", which implies moving towards decentralization placing specific operational and autonomous units in charge of international purchasing. Trent and Monczka (2002) instead underline different levels of purchasing, which might be undertaken by a MNC within its international expansion: the most articulated forms are those based on global sourcing, which might involve integration and coordination within the purchasing function and, at a higher level, also with other functional units.

A recent contribution by Quintens (et al., 2006b) develops the concept of "global purchasing strategy" as a theoretical construct whose goal is to provide an integrated perspective, related to the resource-based approach, on the intra-company dimension of global purchasing, based on degree of centralization and configuration and standardization, which includes purchasing personnel standardization.

Other studies make reference to specific coordination practices adopted to facilitate the implementation of international sourcing strategies. The MNC HQ promotes the standardization of supply processes and practices worldwide, thus requiring subsidiaries to follow guidelines while

dealing with local suppliers (Trent, Monczka, 2005; Veludo et al., 2004; Taylor, 1999; Lihong, Goffin, 1999; 2001). This implies that such rules have gained a formal dimension and are very detailed (Faes *et al.*, 2000; Giunipero, Monczka, 1997). Various contributions highlight the development of standardized supplier management practices, adopted by HQ and subsidiaries, in activities concerning the selection and monitoring criteria and procedures of suppliers (Gelderman, Semeijin, 2006; Mascarenhas et al., 1998; Trent, Monczka, 2003) and the communication channels and tools to be used to manage exchange of information with suppliers, such as software platforms and direct site visits by HQ purchasing personnel (Mascarenhas et al., 1998; Levy, 1997; Trent, Monczka, 2003). Carter (2000) highlights the ethical dimension of supplier management practices, which implies the adoption and implementation of ethics policies and codes, ethics training and post-purchase audits. The standardization and coordination of supplier management practices is facilitated by other two tools such as global sourcing agreements and supplier development programs: Trent and Monczka (2005) make reference to the adoption of global sourcing agreements as an important tool to undertake global sourcing relations, while Wouters (et al., 2007) highlight that local subsidiaries implement supplier development practices to upgrade their suppliers.

The adoption of common approaches and procedures is facilitated by increasing social interaction among international purchasing personnel, which could be promoted through formal and informal meetings (Faes *et al.*, 2000; Trent, Monczka, 2002; Nellore et al., 2001), where all MNCs' departments and units might exchange proposals and knowledge about international sourcing strategies and solutions. Information flows are crucial to develop a global sourcing approach (Faes et al., 2000), and therefore various channels such as electronic mail, video-conference and face-to-face communication are implemented (Trent, Monczka, 2002).

A relevant component of international sourcing activities is the management of HR-related aspects. The adoption of a team approach to improve coordination and communication flows implies the analysis of team orientation in international purchasing units (Hult et al., 1999); moreover, in the light of the complex nature of MNCs' activities, involved managers could fill full-time or part-time positions within global sourcing teams (Trent, Monczka, 2003). Within specific HR policies in the field of international sourcing, Harvey and Richey (2001) develop a theoretical framework for selection criteria for global supply chain managers, while Petersen (et al., 2000) highlight the role of employee rewards.

External parties

A few contributions address the role of external parties in supporting the development of the relationship between the MNC and its suppliers. One of the main insights of the article by Quintens (et al., 2005) is the relevance of intermediaries, which can support the company in activities such as supplier search, insurance and customs management. Arnold (1999) illustrates the involvement of trading companies in international sourcing activities; such organizations are external to the company under examination, but in terms of ownership belong to the same group. Gripsrud and Benito (1995) place emphasis on the activities played by institutional actors, such as Import Promotion Offices, in helping mainly small and medium firms in managing relations with suppliers located in developing countries.

Other studies do not focus specifically on such actors, but make reference to existing interaction between MNCs and external actors supporting the management of relations with suppliers. Trent and Monczka (2003) highlight the case of a MNC using data on suppliers provided by an external source and involving an external consultant to develop software solutions to implement global sourcing activities.

4. Discussion of results and conclusive remarks

The preliminary results of the literature review show firstly that limited research has been conducted on the development of relational capabilities by MNCs in the area of international

sourcing. While the concept of “relational capability” is increasingly debated in the management literature, contributions in the international management field have neglected the organisational dimension of the MNCs’ external relations. With a few notable exceptions, the organization of international sourcing activities is still a marginal issue; more research effort is needed in order to explore dedicated organisational units, coordination mechanisms, learning and knowledge accumulation and sharing processes and the role of external parties in supporting such organizational architecture. Therefore it could be agreed that “while many studies have concluded there is a need to develop global sourcing processes and strategies and to view global sourcing as an important strategic tool, details concerning how to achieve this are few” (Trent, Monczka, 2003: 611).

The relational capability framework based on Heimericks’ components of “alliance capabilities” is an effective tool to highlight the main elements of the “institutionalized” organizational knowledge in the management of external relations. In terms of functions, the reviewed articles show a range of possible organisational solutions; what is needed is additional research on the relationship between organisational design and global sourcing (Trent, Monczka, 2003) and on the conditions and processes driving their adoption in the area of international sourcing.

This review highlights various control and management processes implemented by MNCs to support the management of international sourcing activities. However, the main patterns and the role of human resources management policies and practices are not investigated through exhaustive and in-depth research, both in conceptual and empirical terms. Despite the emphasis placed on knowledge and competences, the characteristics of organisational practices concerning personnel active in the international sourcing area are still not examined in detail; aspects such as personnel turnover policies and use of expatriate or local staff in subsidiaries deserve specific research focus.

In the same line of reasoning this literature review shows that research on tools and on the role of external parties is only marginal. The insight over the use of intermediaries (Quintens et al., 2005) in international sourcing is a stimulating first step which should be followed by additional investigation. Knowledge acquisition and dissemination and “information availability” (Trent, Monczka, 2003) are crucial dimensions of international sourcing activities, and therefore research on the variety of “supporting resources” and on the conditions that may or may not facilitate their development is highly needed. Research on these issue might provide valuable knowledge concerning the transfer and replication of best practices within the MNCs’ internal network, which is often affected by lack of homogeneity in terms of competences and implementation of organisational practices.

This review of selected management journals highlights also that there is room for developing empirical research to gain insights over the variety of configuration of international sourcing activities within MNCs. Firstly, it is argued that the organizational dimension of international sourcing activities should be investigated taking into consideration both the HQ and the subsidiary perspective. Within the analysis of the various nodes of the network, a specific focus should be placed on the ownership configuration, as in the case of international joint ventures, the management of the supply base might be shared between the foreign and the local partner, which could influence the adoption and implementation of specific suppliers selection and coordination mechanisms (Martin *et al.*, 1995).

Secondly, additional research is needed to gain an understanding of the role and behaviour of MNCs from emerging and developing countries in international sourcing activities. The literature on global sourcing and offshoring is focussed on strategies and motivations of MNCs from Western and developed countries; in the light of the increasing international economic integration in terms of international trade and direct investment it is deemed necessary explore the characteristics of the organization of international sourcing activities by MNCs from countries such as China, India, Russia, which might show different and new approaches in managing their international suppliers. Moreover, research on the organisational challenge of MNCs’ sourcing activities in emerging and developing countries is still limited, event though increasing as this review shows. A further gap

seems to be related to the understanding of organizational practices in international sourcing implemented by small and medium firms, given that most of the existing studies are focussed on large MNCs.

Under a theoretical point of view, this paper represents a step towards an increasing interaction among different disciplines and approaches in the study of international sourcing activities. Such effort is called upon in various recent contributions: Hult (2004) calls for more integration between international business and supply chain management; Quintens (et al., 2006a) highlight the fruitful contact between the area of global purchasing and theoretical approaches such as the knowledge-based theory of the firm and relationship theory; Ketchen and Giunipero (2004) point out common areas of inquiry between strategic management and supply chain management. A renowned effort in this direction might shed new light on the concept of relational capabilities and its main components. MNCs, struggling to balance the global and local dimensions of external sourcing and to manage the interplay between MNCs' internal network and external relations, represent a valuable research context to undertake such theoretical advancement.

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