

BUILDING SUCCESSFUL LOGISTICS PARTNERSHIPS

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In fall 1994, the largest third-party contract in U.S. history, valued at \$100 million annually, was announced. Less than a year later this relationship between a *Fortune* 500 company and its third-party provider, described as a partnership by the parties involved, was dissolved. In addition, a widely publicized logistics relationship between Laura Ashley and Federal Express is not working as expected and is being reevaluated.¹ Failures such as these are expensive in terms of both the direct costs of implementing and managing the partnership as well as the lost opportunity to devote resources to a more successful relationship. Yet, the complexity of the business environment is likely to mean that executives will continue to look at relationships with third-party providers as a way of achieving a sustainable competitive advantage with scarce resources.

Logistics outsourcing, the use of a third-party provider for all or part of an organization's logistics operations, is increasing. Approximately 60 percent of *Fortune* 500 firms use this arrangement to some extent.² Shippers spent an estimated \$32 billion on contract logistics services in 1997. This market is expected to increase to about \$50 billion by 2000.³ In most cases, when management chooses to use an outside party for all or part of a firm's logistics activities, the firm enters into a long-term relationship, often called a partnership, with the third-party provider. The hope is that by joining forces, both organizations will improve efficiency, boost profitability, and improve customers service. When successful, these relationships can give both parties a competitive advantage in the marketplace.⁴

As evidenced by recent failures, not all of these so-called partnerships are successful. One reason is that at least one of the parties has unrealistic expectations relating to the structure or outcomes of the relationship. While a number of models are available that indicate whether outsourcing

should be used and that specify vendor selection criteria, none provides a systematic method for explicitly identifying and agreeing to relationship expectations. In other words, the models do not clearly show whether the most appropriate type of outsourcing relationship is a partnership or some other form. In fact, outsourcing arrangements are often assumed to be partnerships. After the decision to outsource has been made, however, the key issue of how the relationship should be structured remains.

The model presented here can be used to determine not only whether a partnership should be used but also the most appropriate type of partnering for a given situation. Our research has shown that there are gradations of partnership. If the level of partnership is not matched to the environment, serious inefficiencies or lost opportunities are likely. An in-depth case description of the model in a relationship between a consumer appliance manufacturer and a third-party logistics provider is presented.

LITERATURE REVIEW

In both academic and trade press, numerous articles address such topics as characteristics of partnerships,⁵ benefits,⁶ selection criteria,⁷ and implementation.⁸ As firms have experienced partnerships that have not lived up to their expectations, studies have begun to address the issue of why partnerships fail.⁹ Although considerable research has been done, "practical knowledge is lacking which links alliance [partnership] theory (what do to) with alliance practice (how to do it)."¹⁰

Various definitions of the term *partnership* exists. La Londe and Cooper define a logistics partnership as "a relationship between two entities in a logistics channel that entails the sharing of benefits and burdens over some agreed upon time horizon."¹¹ Ellram adds the dimension of information sharing: "an agreement between a buyer and a supplier that involves a commitment over an extended time period, and includes the sharing of information along with a sharing of the risks and rewards of the relationship."¹² Numerous other definitions include the key characteristics of shared risks/rewards, long-term focus, joint activities, and the concept of trust.¹³ While all of these address some aspects of partnership, they are incomplete, and they do not adequately emphasize the need for customization of the relationship. We define a partnership as "a tailored business relationship based upon mutual trust, openness, shared risk, and shared rewards that yields a competitive advantage, resulting in business performance greater than would be achieved by the firms individually."¹⁴

While the benefits of partnering have been well documented, the pitfalls and dangers have received less attention. Lieb and Randall suggest that the most serious concerns to shippers in the use of third-party providers include the potential for loss of direct control over logistics activities, uncertainties about the service level to be provided, and questions concerning the true cost of outsourcing.¹⁵ Ackerman has identified numerous reasons logistics partnerships, in particular, may be "doomed to fail," including a lack of understanding between the parties about the job to be done, over-promising and under-delivering by the seller, deliberate attempts by personnel in the buying firm to make the partnership fail, unprofitability for the seller and subsequent poor service, and no orderly process for

separation.¹⁶ Ellram identified the main factors leading to partnership failure as poor communications, lack of top management support, lack of trust, lack of supplier total quality management programs, poor up-front planning, lack of strategic direction for the partnership, and lack of shared goals.¹⁷ For the most part, these causes of conflict fall into two general categories suggested by Stuart and McCutcheon: (1) a mismatch in perceptions over the appropriate degree of partnering; or (2) improperly executing the partnership building process.¹⁸

Various models or processes for partnership development have been identified in the literature. Gardner, Cooper, and Noordewier developed a strategic model of partnership formation and management with five stages: choosing a partnership strategy, choosing a specific partner or partners, designing the partnership, evaluating the partnership, and evaluating the partnership strategy.¹⁹ Ellram presented a different five-stage process for purchasing partnerships (preliminary phase, identify potential partners, screen and select, establish relationship, and evaluate) and also identified some specific selection criteria for potential partners.²⁰ Stuart identified the key factors for determining the degree of partnership that should exist: level of committed resources, potential for productivity improvements and competitive advantage, and level of joint problem solving and sharing of benefits.²¹ Bagchi and Virum presented a framework for logistics alliance formation, management, and control based upon eleven case studies in Europe.²² Their 22-step model was comprised of three phases: identify the need for the alliance; plan and manage the alliance; and manage operations, measurement, and control. According to Bagchi and Virum, "in a logistics alliance, the parties ideally consider each other as partners."²³

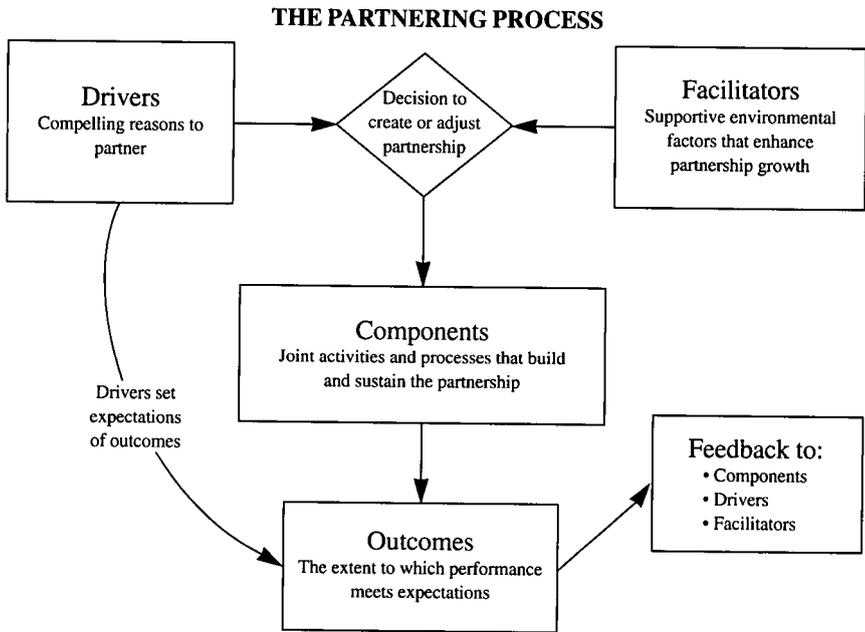
These models help managers determine whether an outsourcing arrangement is needed and identify criteria for selecting a supplier. In other words, the models are good tools for assessing the appropriateness of outsourcing, but, they do not go far enough in addressing issues once that decision is made. None offers guidance about the type of relationship to choose; for example, a long-term, arm's-length contract or a partnership. Also, the models assume that all partnerships are the same. While managers decide correctly that outsourcing is needed, they often make incorrect decisions regarding the specific type of relationship. This leads to failure, not because outsourcing is inappropriate but because managers from both sides do not agree on the type arrangement to be used.

PARTNERSHIP MODEL

Managers need a systematic, replicatable method of partnership development and implementation. The model also should guide managers' decisions. Such a framework is shown in Figure 1.²⁴ It was developed after in-depth analysis of 18 relationships in leading-edge firms. The industries represented were consumer products, electronics, manufacturing, retailing, telecommunications, third-party logistics, and transportation. Sixty interviews, ranging from one to four hours, were conducted with managers at various levels and functions in both firms involved in each relationship. A comprehensive, pretested interview guide of 45 questions was used. Transcriptions were returned to the interviewee for review. A detailed case study of each relationship was then developed and these

were also reviewed by the parties involved. The approved case studies formed the basis for the partnership model. After it was developed, the model was tested using an additional eight relationships.

FIGURE 1



Source: Douglas M. Lambert, Margaret A. Emmelhainz, and John T. Gardner, "So You Think You Want a Partner?" *Marketing Management*, 5 (Summer 1996): 26.

Methodological Rigor

Research methods addressed a number of concerns normally raised about partnership research, which is often criticized for lack of rigor. Baba, for instance, notes that most partnership studies rely too heavily on structured questionnaires, focus on only one side of the partnership, and involve only a single executive from each organization. Case study research is also subject to criticism.

While case studies of partnerships do provide a fuller picture at the micro organizational level, such studies have not followed a unified research framework that would permit replication and generalization of findings.

Partnership studies would benefit from research designs aimed at identification and explication of integrative processes that serve to bond partners and strengthen inter-organizational relationships.

Future research on partnerships must have the partnership dyad as the minimum unit of analysis. Investigations that capture only from one side of a given partnership (even if both partner types are represented in a sample) will fail to reflect accurately the dynamic forces that bond or break partnerships in the long run.²⁵

This research addresses such concerns by using a prescribed format for in-depth interviews with representatives from both firms involved in each relationship.

Model Description

The model has three major elements: drivers, facilitators, and management components; all of these lead to outcomes. Drivers are compelling reasons to partner. They are strategic benefits that will result from strengthening a relationship: asset/cost efficiencies, enhanced customer service, marketing advantage, and profit growth/stability. For a partnership to succeed, each party must have sufficient drivers, but not all need not be present. The drivers do not need to be the same for each party; indeed, they are likely to be different. If both parties do not perceive, and do not have a realistic chance of obtaining significant benefits from the relationship, then it will fail. In using the model, each party should first independently determine its own drivers. A joint session is then held at which the parties share their expected drivers; this aligns expectations and identifies any potential conflicts in desired benefits from the partnership.

Facilitators provide a supportive environment for growth and maintenance of a relationship. The four primary facilitators in every relationship are corporate compatibility, similar managerial philosophy and techniques, mutuality, and symmetry. Five additional facilitators exist that cannot be expected in every relationship but when present will strengthen it. These situation-specific facilitators are exclusivity, shared competitors, physical proximity, a prior history of partnering, and a shared end user. Facilitators reflect the degree of compatibility between the two firms and indicate the likelihood of partnership success. The more compatible the two firms, the better is the chance of partnership success. Facilitators should be assessed jointly by the two parties, because these measure the compatibility of the "combined environments" of the two organizations. As with drivers, not all facilitators need to be present, but the greater the number, the more likely is success.

Within the partnership context, there can be a varying degree of integration. Between the extremes of an arm's-length relationship and a joint venture, there are three levels of partnering or integration. The three levels of partnership have been labeled Type I, Type II, and Type III.

Type I – The organizations involved recognize each other as partners and, on a limited basis, coordinate activities and planning. The partnership usually has a short-term focus and involves only one division or functional area within each organization.

Type II – The organizations involved progress beyond coordination of activities to integration of activities. Although not expected to last "forever," the partnership has a long-term horizon. Multiple divisions and functions within the firm are involved in the partnership.

Type III – The organizations share a significant level of integration. Each party views the other as an extension of their own firm. Typically no “end date” for the partnership exists.²⁶

In other words, some partnerships involve very close ties and significant joint-sharing, while others reflect a lower degree of integration but are still more than an arm’s-length relationship. The combined strength of drivers and facilitators determines the potential for partnership integration, as shown in Figure 2. When the combined points are very high, a very strong, closely-knit partnership (Type III) is appropriate. When the points are low, a less integrated partnership (Type I) is warranted.

FIGURE 2

PROPENSITY TO PARTNER MATRIX

		DRIVER POINTS		
		Low	Medium	High
FACILITATOR POINTS	Low	Arm’s Length	Type I	Type II
	Medium	Type I	Type II	Type III
	High	Type II	Type III	Type III

Source: Adapted from Douglas M. Lambert, Margaret A. Emmelhainz, and John T. Gardner, “So You Think You Want a Partner?” *Marketing Management*, 5 (Summer 1996): 35.

While the level of drivers and facilitators determines the most appropriate degree of integration, whether that integration is achieved depends upon management components. Management components are joint activities and processes used to build and sustain a partnership: planning, joint operating controls, communications, risk/reward sharing, trust and commitment, contract style, scope, and financial investment. Once it is determined that a particular degree of integration is warranted, the two parties should jointly plan how to implement it within each organization. The partnership is tailored to that degree of integration by using varying levels of each of the management components.

If appropriately established and effectively managed, a partnership should improve performance for both parties. Outcomes include profit enhancement, process improvements, and increased competitive advantage. The outcomes achieved by each party should reflect the drivers that motivated the development of the partnership. For this reason, it is important to establish specific targets for each driver.

PREVENTING PARTNERSHIP FAILURES

The model provides explicit methods for dealing with problems that may lead to partnership failure. The analysis and discussion of drivers and facilitators greatly minimizes the likelihood of mismatched perceptions between the parties. An understanding of the drivers ensures that both organizations have to benefit from the partnership and that each knows what is motivating the other. The analysis of facilitators identifies any potential conflicts between the two organizations. The probability of poor execution is greatly diminished because the partners jointly agree upon how each component is to be implemented, the priority of the components, and the resources needed to put the components into place at the agreed level. Table 1 identifies common reasons for failure, classified into the two categories of mismatched perceptions and failure to execute, as defined by Stuart and McCutcheon, and shows how the partnership model addresses those issues.

TABLE 1

HOW THE MODEL ADDRESSES CAUSES OF FAILURE

Failure Due to Mismatched Perceptions	Model Prevention/Solution
Unrealistic expectations	Calibrated during discussion of the drivers.
Corporate culture differences	Resolved during discussion of facilitators or taken as an indication that a partnership is not warranted.
Lack of mutual benefits/ unprofitability for either party	Review of drivers indicates either that each side has a benefit or that no partnership should be implemented.
Lack of shared/clear goals	Goals need not be the same, but each partner must have specific goals, and the goals must not be incompatible. The discussion of mutuality as a facilitator ensures that each party understands and accepts the other's goals.
Deliberate attempts to sabotage	Likely become noticeable in discussion of both the drivers and facilitators.
Lack of top management support	Becomes evident during discussion of facilitators.
Imbalance in power	Discussion of facilitators indicates whether imbalance is severe enough to result in partnership failure.

TABLE 1 (CONTINUED)

HOW THE MODEL ADDRESSES CAUSES OF FAILURE

Failure Due to Poor Execution	Model Prevention/Solution
Concern over loss of direct control/ uncertainties about service levels	Establishing joint operating controls and rich communication as part of components establishes well-understood service levels.
Unfairness in cost and pricing	Unlikely if the facilitator of mutuality and the component of trust and commitment are adequately addressed.
Poor up-front planning	All aspects of the partnership are specifically addressed prior to implementation.
Lack of trust	Explicit discussion and agreement in establishing components.
Overpromising and underdelivering	Calibration of drivers and agreement on components.
Lack of strategic direction	Explicit consideration of the contract scope along with determination of the level of partnering ensures strategic direction.
Poor communication	A separate and specific component; partners establish and regularly review joint communication channels.
Failure to respond to changes in corporate strategy/market conditions	Model works as a tool for analyzing on-going relationships and provides a mechanism for deciding that a partnership is no longer appropriate.

THE WHIRLPOOL/ERX RELATIONSHIP

The Whirlpool/ERX case study provides an application of the partnership model. This relationship was used in developing the model, and it represents a highly integrated logistics partnership (Type III) about which details and rich information can be shared. Because the literature so often lacks specifics, numerous direct quotes from executives are included here. These provide insight into the model and into what makes a partnership successful.

Background

At the time of the research, the relationship between Whirlpool and ERX was one of three relationships with third parties for warehousing and distribution of Whirlpool appliances to more than 5,000 dealers, including builders. ERX is a joint venture between MARK VII Transportation Company and Elston-Richards, a warehousing company. The rapid delivery program is known as Quality Express, and Whirlpool has established eight Quality Express regions, in which delivery is guaranteed within 24-48 hours. ERX operates six of the regions and is responsible for the delivery and installation of the appliances to the Whirlpool customer base, including dealers and builders; ERX is compensated through a management fee structure. Both parties are very satisfied. In the words of an ERX executive, "Quality Express has been extremely successful, and it has been good for us." From the Whirlpool perspective, "The partnership is going to give us a definite long-term competitive advantage." This relationship appears to be a very strong and successful partnership.

Drivers

Strong drivers for both parties indicate that the partnership offers each firm the potential of significant benefits. The most significant of these for Whirlpool is improved service. Its competitors were perceived as doing a better job of delivering the product. Prior to the Quality Express program, Whirlpool used a large number of carriers with only limited coordination between them and the warehouses. It was very difficult to control and manage on-time-delivery, and damage levels were high. According to a Whirlpool executive, about 85% of deliveries were made on time, an unacceptable level. "Our original goal in the partnership was to be 95 percent on time within the first year. By the fourth month, we were at 99 percent."

Gaining additional marketing advantage was also a strong driver for Whirlpool. Salespeople were spending considerable time resolving differences and tracking down problems between the transportation companies and warehouses. Furthermore, Whirlpool had very little control over delivery and unloading, which represented a critical point of contact with the customer. A third driver was to reduce the per-unit cost of delivery. Whirlpool managers felt that a third-party logistics provider would offer both flexibility and economies-of-scale.

Key considerations for ERX were profit stability/growth and marketing advantage. ERX management saw the partnership as a way to achieve consistently high volume with reduced risk. They also realized that developing a program for Whirlpool would provide a springboard into logistics management for other major, non-competing, corporations. An ERX executive states: "We quickly realized that if Whirlpool did not ask us for this, somebody else was going to ask us for it." In other words, ERX management saw the opportunity to develop a new market offering.

Facilitators

Strong facilitators in this relationship support partnership development and growth, which significantly diminishes the chance of failure. The strongest among them are management philosophy and techniques, mutuality, and symmetry. In terms of philosophy, both organizations believe very strongly in empowerment. ERX truck drivers were given a high level of responsibility for scheduling deliveries as well as negotiating damage claims. "Our truck drivers take pride in the level of responsibility we give them." Whirlpool empowered ERX to set up delivery schedules and to change them without prior approval in order to meet customer requirements.

Both companies have a strong sense of mutuality and look at the relationship from the other's perspective. An ERX executive states, "We have a sense of obligation to keep Whirlpool ahead of the market...This is a good partnership if both people are winning and both sides are getting what they want." According to a Whirlpool executive: "We cannot expect our contract operator to work at an unprofitable level...We are in this for the long-term, and for what is best in the long-run for both of us."

Symmetry is another important facilitator. Although the firms are very different in size and financial standing, the partnership is very important to both. It is critical to ERX, because it represents

100 percent of its business. From Whirlpool's perspective, ERX is responsible for six of eight Quality Express regions and Whirlpool views Quality Express as an important competitive weapon.

Components

Drivers and facilitators only establish the potential for a relationship; management components determine how it is achieved. Even with strong drivers and facilitators, a partnership can still fail if the components are not implemented appropriately. The way in which they are put into place and managed will determine how the partnership operates.

Joint Planning. A key element of any successful partnership is joint planning. When the Whirlpool/ERX partnership first started, there was not a high level of joint planning, but both firms felt that it was necessary. Today, joint teams are assigned to address issues and problems and do long-range planning. Whirlpool distribution center managers and regional personnel meet regularly with ERX representatives to discuss current performance, possible improvement, and long-range plans.

Joint Operating Controls. Another key element of a partnership is joint operating controls. This means that performance measures are jointly developed and that each party may make changes to the other's system without prior approval. According to a Whirlpool executive, measurement in the Quality Express program is a "mutual" activity. Each region has a set of measures developed jointly and approved by both Whirlpool and ERX.

The operating controls are so closely linked that it is often hard to tell where one organization ends and the other begins. ERX has considerable latitude. For example, it can change the delivery schedule to a Whirlpool customer without getting prior approval. Whirlpool has the authority to dictate the type of equipment ERX should have available. According to an ERX manager, "the trucks say Whirlpool, the drivers wear Whirlpool hats. The uniform says ERX Logistics but it is Whirlpool blue...We have trouble convincing our people that they are not Whirlpool."

Communications. Balanced, two-way, multilevel communications are an indication of a strong partnership. An ERX manager states: "We have set up a structure that has accommodated communication. We have one person whose job is to travel around on the transportation side and talk to fleet managers to see if there are any problems. Another person performs the same job on the warehousing side. We spend considerable time communicating with our customers." Specific joint teams meet regularly to focus on issues and potential problems. Both partners are willing to share sensitive information. From Whirlpool's perspective, "We talk about things that before we considered proprietary...There are no secrets in a true partnership." An ERX manager believes: "The key to having a good partnership is to not have a lot of secrets...We share very openly, we talk very candidly about personnel matters, relationships, what is good, what is bad, and what we need to work on."

Risk/Reward Sharing. The willingness of either party to take a short-term "hit" for the good of the other and the relationship is an important component of a strong partnership. This is often evidenced in the measurement of "fairness" over the long term rather than day-to-day. In this

partnership, shortages and overages may be carried year to year. Furthermore, ERX shares 50/50 in any productivity improvements or cost reductions beyond the target.

Trust and Commitment. In a strong partnership, there is implicit trust. Each partner believes completely that the other is totally committed to the other's long-term success. A very high level of trust and commitment is evidenced in the Whirlpool/ERX partnership. According to one of the partners, "The key ingredient is trust. If you don't have that, you can throw out the partnership." The other believes the partnership will endure "because [of] our commitment to them and their commitment to us. It is really a mutual thing."

Contract Style. The strongest partnerships appear to be those in which the contract either is not a written contract at all or exists for strictly "legal" purposes and is not used as a guideline for day-to-day operations. Lassar and Zinn researched this issue and found that "the quality and effectiveness of channel relationships are not related to the presence of a formal contract."²⁷ MacNeil discovered that as interaction becomes tighter and more integrated, the relationship itself becomes the "contract," rather than a written document.²⁸ This is consistent with a study by Frankel, Whipple, and Frayer, who found in their survey of manufacturers and service suppliers that none of the channel members strongly believed "logistics alliances must be supported by written contracts or agreements."²⁹

A written contract governs the partnership between Whirlpool and ERX, but it is only three or four pages long, and many managers say they have never seen it. A number of comments from executives in both organizations indicate the limited role it plays:

- "We have a contract that we can go back to..., but we never need to reference it because we are working on a day-to-day basis to jointly handle problems."
- "I do not even know if we have looked at the contract since day one. I do not even know where we keep the contract. If we have to resort to the contract, the partnership is over."
- "To me, there is more outside the contract than what is in the contract as far as what is implied and understood that the partnership is.... We don't sit around and say, 'Your contract says you have to do this.' If you are that postured, you do not have a partnership."

Scope. In a strong partnership, the intent of both parties is to maximize the amount of activity performed. In other words, each party brings either a large percentage of business and/or key value-added processes to the partnership. In this case, ERX is responsible for a significant number of value-added activities, including some with a direct effect on Whirlpool revenues, such as negotiating damage claims. As explained by a Whirlpool manager, ERX is "responsible for in-bounding our product, storing it, handling it properly, and maintaining accurate inventories at all times." At customer sites, ERX deals with unloading, installation in some cases, and damage negotiation.

Investment. Reciprocal financial investment is usually present in an effective partnership. As does any third-party logistics arrangement, the Whirlpool/ERX relationship requires considerable investment in facilities, equipment, and systems. Whirlpool assumed much of the financial risk by investing in the warehousing and transportation system as well as in the development of a transportation

tracking system. If ERX had made this investment, then the cost of the service to Whirlpool would have been significantly higher. Whirlpool was better positioned to make the investment, and was willing to do so, thus improving efficiency for both parties.

Outcomes

Both Whirlpool and ERX obtain a number of positive outcomes from this partnership. For Whirlpool there has been significant improvement in customer service levels and damage claims, along with associated personnel levels have dropped dramatically. Whirlpool customers reported increased satisfaction. For ERX the most significant outcomes have been profit, profit stability, and a competitive advantage.

When only one or neither partner achieves the desired outcomes, a number of actions should be taken. First, the components must be examined to determine whether they have been implemented as planned. Next, the drivers must be reviewed to verify that the same potential benefits of a partnership are in place and still motivate the relationship. For instance, if the benefits sought are now available as untailed offerings in the marketplace, the relationship may need adjusting. Finally, a reexamination of environmental conditions across the two firms may be needed.

A reevaluation of the relationship also should occur when major environmental changes take place or when either firm experiences a change in its drivers. For example, since the development of this article, ERX has been acquired by Penske. This change in ownership, as well as changes in operating philosophy at Whirlpool, indicates the need for a reevaluation of drivers and facilitators. Goals, culture and reward structures are all subject to change as ownership changes. A partnership is more likely to survive if it is recalibrated. People who are new to the relationship must be brought up to the same level of partnership understanding through the use of a structured model.

Even when performance goals are being met, and there are no obvious changes in facilitators or driver, it is productive to periodically reexamine all elements of the partnership by working through the model during a two-day off-site meeting.

CONCLUSIONS AND IMPLICATIONS

Partnerships with third-party logistics providers are becoming more common and are likely to increase, given the competitive environment is forcing management to focus on the firm's core competencies. Successful partnerships can provide significant benefits to both organizations. According to Kanter, "a well-developed ability to create and sustain fruitful collaborations gives companies a significant competitive leg-up."³⁰ Unfortunately, few organizations appear to use a systematic process in determining whether they should partner, and if so, how. As a result, expectations are not correctly calibrated or the partnership is not well-executed and therefore fails.

Implications for Managers

The partnership model presented here helps minimize the chance of failure by explicitly addressing key issues prior to the implementation of a partnership. The model recognizes that sometimes a partnership is not warranted and any attempts to "force" it would end in failure. While the model cannot guarantee that all partnerships are successful, it can serve as a powerful tool for logistics managers to develop and maintain effective relationships.

The framework also can serve as a useful diagnostic for determining "what went wrong" and can help reestablish faith in the partnering process. If causes from Table 1 are identified in the "post-mortem" of a relationship, or if the process used to establish and manage it did not follow the model, then this knowledge may build support for using the model in new ventures.

Our framework offers managers a unique tool in that it provides a way to not only assess whether a partnership is warranted, but also the appropriate degree of partnering. A number of processes have been identified to help managers determine whether logistics operations should be outsourced; this model, in the opinion of the authors and the executives who participated in its development, is the only one that explicitly indicates whether outsourcing should be handled within a partnership or within a more traditional relationship. However, using the model will not help if the party select is not able to, or ceases to be able to, perform the necessary tasks.

It is important to note that when the model is being used to evaluate a relationship as a prospective partnership, the business should not be at stake. First, the decision to conduct business should be made. Then the particular style of the relationship should be determined. At this stage it is not "should we conduct business" but, "how close should the relationship be in order to maximize the net benefits to both parties?" It will be very difficult for representatives from the selling firm to honestly evaluate drivers and facilitators if they believe that their answers will influence the amount of business obtained.

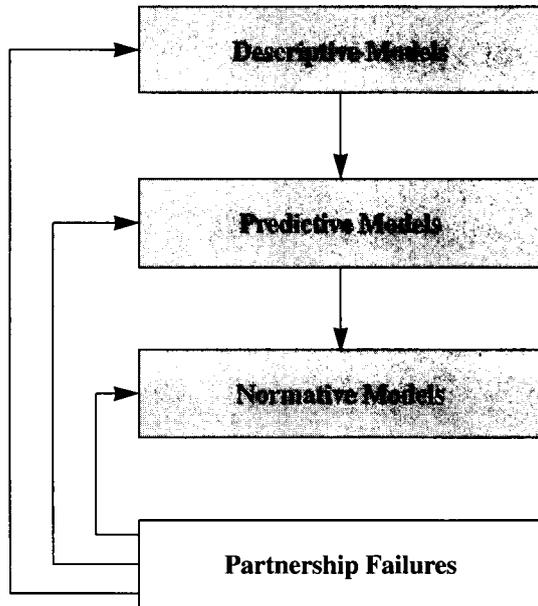
Implications for Researchers

A significant amount of research has focused on defining partnerships and on the development of partnership models. What is lacking is a mechanism for providing feedback from both successes and failures into those models. As shown in Figure 3, theory building usually moves from descriptive, to predictive, to normative models. The next step in partnership research should be the systematic collection and analysis of data on partnership performance over the long term. First, additional study is needed to determine what metrics are appropriate for measuring the outcomes of the partnership. In other words, what is the correct way to determine whether the partnership has met the expectations of both parties? Second, longitudinal studies would help identify appropriate actions if outcomes are not as expected. Third, determining whether failure is more often caused by improper execution of the components or by a poor assessment of the drivers and facilitators would help identify the most appropriate way to present and implement the model. Third, studies over time would

specify other variables that may influence the partnership decision and that may lead to fine-tuning of the model.

FIGURE 3

PARTNERSHIP THEORY BUILDING



An additional avenue of study is to use the model as a segmentation tool. A firm's entire supplier or customer base could be segmented according to the most appropriate degree of partnering. Purchasing and marketing strategies could be tailored to each segment.

An analysis of the use of the model by industry also would be beneficial. Examining how it is used across different industries and the most common type of relationship by industry would help identify any industry-specific bias either toward or against partnering as a form of business relationship.

NOTES

¹See, for example, Kenneth B. Ackerman, "Pitfalls in Logistics Partnerships," *International Journal of Physical Distribution and Logistics Management* 26, No. 3 (1996): 35-37; Larry Stevens, "Back from the Brink," *Inbound Logistics* 12, No. 6 (September 1992): 20-23; and "Iverson's Ashley Revival," *Sunday Telegraph* (London) April 4, 1996, p. 4.

²Robert C. Lieb and Hugh L. Randall, "A Comparison of the Use of Third-Party Logistics Services by Large American Manufacturers, 1991, 1994, and 1995," *Journal of Business Logistics*, 17, No. 1 (1996): 305-20.

³Robert V. Delaney, "Seventh Annual State of Logistics Report," address to the National Press Club, June 3, 1996.

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