

Large and small firms may need different types of incentives. In the large firm, the group or division in charge of the alliance should have a stake in the smaller partner's success. The group can encourage the rest of the company to buy into the alliance by passing along advantages and new expertise gained from the alliance to other units. The champion must develop an incentive scheme that encourages risk taking and rewards success.

A small firm allied with a large partner usually has a natural motivation, since cooperation probably means access to a much larger market by selling directly to its partner or through its partner's distribution system. However, since small firms are unlikely to have a single alliance champion, senior management's compensation should be tied directly to alliance success.

CONFLICT RESOLUTION

A good deal of thought should be put into anticipating and resolving conflicts. No matter what formal methods you implement, both sides should remember that disagreements are inevitable and that circumstances will change. The ability to adapt to change and to find intelligent compromises is invaluable. Flexibility is more important than any formal method of conflict resolution. Some disputes can be avoided through the clear delineation of responsibilities.

Since legal systems differ so greatly, using the justice system to settle disputes with international partners is problematic. It is better to look at means of averting or resolving them in other ways. Solid lines of communication go a long way to solving this problem. During negotiations, potential problems are anticipated and formal methods of resolving them are established. Usually, when conflict arises, those involved can inform their managers who can then resolve it then and there.

Measures for resolving disputes include:

- use of a predetermined third party, such as a respected lawyer or director of the joint venture;
- use of a conflict resolution board drawn from both firms to hear the issues and pass judgement;
- the chairperson should be independent; and
- anticipating potential problems, and establishing formal methods of resolving them, during negotiation of the partnership arrangement.

Large and small companies often have different sorts of conflicts. Large firms will have both external and internal conflicts to manage. Other divisions or departments of the company may not be as pleased about the alliance. Large firms may have problems coordinating daily operational activities with small firms that are more entrepreneurially focussed.

HOW READY ARE YOU TO RESOLVE CONFLICTS?

- Are you prepared to reach a compromise? Remember to get something in return.
- How solid are your communication links?
- Can conflict be resolved by direct reference to an original alliance agreement or a memorandum of understanding (MOU)?
- Are you prepared to attempt more informal ways of resolving your conflict?
- Have you considered training staff in interpersonal skills such as effective listening, negotiation and conflict resolution techniques?