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**Strategic Alliances for World Competitiveness:
The Case of GPC Electronics**

**Catherine P. Killen
University of Technology, Sydney**

**Robert Hunt
Macquarie Graduate School of Management**

**Bradley Ayres
General Power Controls**

**Christopher Janssen
General Power Controls**

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Research Office

Macquarie Graduate School of Management
Macquarie University
Sydney NSW 2109
Australia

Tel 612 9850 9016
Fax 612 9850 9942
Email gsm-research@mq.edu.au
URL <http://www.gsm.mq.edu.au/research>

Director of Research Professor John A. Mathews
Manager, Research Office Ms Kelly Callaghan

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Strategic Alliances for World Competitiveness

Dr Robert A. Hunt

Senior Lecturer in Management
Macquarie Graduate School of Management
Macquarie University
Sydney NSW 2109 Australia

Tel 61(0)2 9850 9627
Fax 61(0)2 9850 9019
Email rhunt@work.gsm.mq.edu.au

Catherine P. Killen

Management, Policy and Practice Group, Faculty of Engineering, University of Technology, Sydney (UTS), P. O. Box 123 Broadway, NSW, 2007, Australia, E-mail: C.Killen@uts.edu.au, Phone: +61 2 9514-2697

Bradley Ayres

Customer Support Manager, GPC, 2/2 Blaikie Road, Penrith, NSW, 2750, Australia, Phone +61 2 4731-2845

Dr Christopher Janssen

Managing Director, GPC, 2/2 Blaikie Road, Penrith, NSW, 2750, Australia, Phone +61 2 4731-2845

Abstract

Strategic alliances and business networks can provide organisations with the capability and flexibility to compete with the world. This paper demonstrates the principles of alliances and networks, outlines some government initiatives in this area, and finishes with a case study of General Power Controls (GPC), an Australian manufacturer who successfully competes with other manufacturers throughout the world.

Key Words

Strategic alliances, Global competition, SMEs (Small to Medium Enterprises), Business networks, Lean and agile organisations

Strategic Alliances for World Competitiveness

Introduction

How can Small to Medium sized Enterprises (SMEs) compete in global markets? How can organisations in a small or remote country compete? Strategic alliances are providing such organisations with the capability and flexibility to compete with the world. The benefits of forming such alliances are not limited to small or remote organisations – it seems that many organisations in Australia and throughout the world can benefit from forming alliances. This paper will demonstrate the principles of alliances, outline some government initiatives in this area. The issues are illustrated in the case of one Australian company, General Power Controls (GPC).

‘Lean’ And ‘Agile’ Organisations

Today there is much talk and promotion of ‘lean’ and ‘agile’ organisations. Lean organisations aim to identify and reduce all non-value-adding functions and eliminate any slack resources. An agile organisation must be flexible and able to adapt to the changing requirements of their customers and the market. Flexibility requires that there are some slack resources that can be called into action to meet changing needs.

How can an organisation that is lean be agile? In order to stay lean, but increase agility, many organisations are turning to strategic alliances or partnerships. A ‘virtual’ organisation can be built up out of a network of many different functions. Agility can be achieved by a number of lean companies that can be put together as needed to meet changing market needs. [1,2,3,4,5]

Learning Organisations

New knowledge is increasingly required by organisations as the globalised competitive environment intensifies. In order to create and sustain competitive advantage, the acquisition of organisational knowledge is becoming a top managerial priority. Strategic alliances can create unique learning opportunities for the partners. Sharing the alliance knowledge is facilitated in a mature alliance with a high level of trust and mutual partner understanding. Alliance knowledge is also more accessible when the alliance knowledge is systematic and easily communicated. The opportunity to learn from a partner can be one of the strategic benefits of forming an alliance. [6]

Alliances

The ways that organisations work together and the programs that are designed to encourage such cooperation have many different names. 'Business cooperation' is defined as "special relationships between at least two firms that are beyond normal market transactions and have some permanence" [7:2]. Dodge and Salahuddin [8:18] define a strategic alliance as "a relationship between firms to create more value than they can on their own. The firms unite to pursue agreed upon goals, while remaining independent."

Terms like networks, alliances, linkages, partnerships, and business cooperation all describe organisations working together to achieve competitive advantage. Broadly speaking, these terms all relate to a group of enterprises that have combined their talents and resources [9]. A network is generally thought to involve three or more participants while the other terms are used for two or more. In some cases a new entity may be formed by the alliance, but the independence of the participating organisations should always be maintained. Often 'Partnering' is used to describe a particularly mature alliance. Besterfield et. al. [10] consider partnering as a long term commitment between two or more organisations for the purpose of achieving specific business goals by maximising the effectiveness of each participant's resources. The importance of trust and a shared vision are highlighted as well as the need for constant nurturing of the relationship for maximum benefit.

In summary, there are many terms that are used to describe the special cooperative relationships that form between businesses. For the scope of this paper, the term 'strategic alliance' will be used to describe

relationships where organisations work together to achieve competitive advantage in an environment characterised by compatible goals and an atmosphere of mutual trust.

Alliances Provide Benefits to a Range Of Industries.

Since 1980 there has been a ten-fold increase in strategic alliances internationally [11]. The challenges and costs of global competition and global markets are one reason organisations form alliances. In order to establish markets domestically or internationally, organisations are increasingly forming alliances with enterprises that are already in contact with the market. Another impetus for alliance formation is the importance of strong buying power in sourcing quality supplies, reliable delivery dates and a good price. While many alliances benefit from stronger buying power, supply chain partnerships are formed to specifically address this issue. Innovation alliances are based on the need to develop and commercialise new products and services while sharing information, risks and rewards.

Networks and alliances are being formed in an increasing range of industries. For example, according to a recent report by Andersen Consulting, most financial services companies are now involved in strategic alliances. The number of alliances formed is growing quickly, more than doubling in the past year. Alliances offer financial service firms a quick and low-cost way to build scale, add products and expand delivery channels [12]. In the pharmaceutical industry, experts predict that the large companies will dedicate as much as 30 percent of all research and development budgets to alliance partners by the year 2000. These alliances are being formed at a rate of more than five billion dollars (US) per year [13]. The wholesale distribution business is also heavily influenced by increasing levels of alliance formation. In the next five years participation in strategic alliances is expected to double. Combined with related increases in electronic commerce, supply chain integration and globalisation, alliances are changing the face of distribution [14].

Technology based alliances among Small to Medium Enterprises (SMEs) are also growing particularly fast. SMEs often view strategic alliances as opportunities for growth. SME alliances can consist of networks of SMEs or a relationship between a SME and a large company. It can be harder to establish the mutual trust necessary for a successful alliance when there is a perceived imbalance in power due to differing sizes of

organisations. However, SMEs will continue to find growth opportunities with larger companies [11] – the following GPC case study is one such alliance.

In Australia, SMEs are making an increasing contribution to output and exports. The success of SMEs is considered very important to Australia's overall economy, and a number of Australian government programs have been targeted at SMEs.

Strategic Alliances: Government Programs Business Networks

Governments in Australia and around the world have recognised the potential benefits offered by strategic alliances. There has also been acknowledgment of the barriers that can prevent organisations from entering into such relationships. Small to Medium Enterprises (SMEs) tend to face resource constraints that make it difficult to invest the required time and energy into setting up and maintaining networks. Many government programs view SMEs as the engines for future economic growth and focus on assisting SMEs to form Alliances.

The Australian government introduced a three year Business Networks Program (BNP) in 1995. The program was focused primarily at SMEs that had the potential for exports or import replacements. Proposed networks of three or more companies were able to participate in part or all of the three phases of the business networks program. The phases were the Feasibility Stage, the Business Planning Stage, and the Implementation Stage. Independent network brokers who have been accredited by the government were central to the program.

The Australian Business Networks Program (BNP) terminated in mid-1998. One of the goals of the program was to increase awareness of the benefits of networking among SMEs. During the first half of the BNP a major survey was conducted among Australian SMEs in both the manufacturing and service sectors [9]. Enterprises in the service sector were more likely to be involved in networks (30%) than the manufacturing sector (18%). The most important finding of the study was the enormous interest that the network concept had generated among SMEs in Australia. More than 50% of the respondents that were not yet part of a

network were very interested in forming networks in the future, with a significant percentage already in the planning stages.

The other goals of the Australian BNP were to provide assistance and produce a series of resources to assist enterprises to develop business networks. Experience gained during the program's operation has been used to develop a 'self help manual' entitled *How to develop a business network* [15].

The Australian BNP was very similar to the Danish government networking program, which was introduced in 1989. The three phase model (Feasibility, Business Planning and Implementation) and the use of a trained network broker has been used by many other programs since the Danish program formed the foundation. The Danish program was also designed as a large scale awareness raising exercise, and ran for a three year period [16].

Governments in other parts of the globe have also sponsored programs to promote alliances. One successful network program is the Emilia-Romagna Region (ERR) network program in Italy. Since 1972 the ERR network program has assisted the development of 60-100 networks and is credited with contributing to increases in employment and exports in the region. Another example is the Norwegian Network program; a four phase program aimed at SMEs. It was initiated in 1991 for an initial four years, and has been extended for another four years. The Norwegian Network program is considered an important part of Norway's knowledge-based industrial policy [17].

Supply Chain Partnerships

The quality and reliability of supplies has become more important with the introduction of Just In Time (JIT) manufacturing and the use of Manufacturing/Enterprise Resource Planning (MRP/ERP) systems. Raw materials and components are required to reach the production operation as needed, keeping inventory related costs to a minimum. However, the quality of the incoming supplies must be very good, or the production lines will be shut down. Supply chain partnerships assist manufacturers to manage supply issues while focusing on their core competencies. Customers and suppliers are cooperating to optimise the supply chain

and increase the profitability of all partners. Without cooperation, the resulting adversarial relationships between customers and suppliers will fractionalise their earning power [3,4,10,18].

Increasing amounts of attention are being paid to the management of the Supply Chain. One indicator of this attention is that the theme for the 1998 International APICS (Australasian Production and Inventory Control Society) conference was "Supply Chain Management: Targeting Winning Solutions". In addition, the Australian government is encouraging cooperation and collaboration throughout the supply chain through a new program. Like the business networks program, the Supply Chain Partnerships program is targeted at SMEs. The program will assist companies with the cost of retaining an experienced supply chain management facilitator.

Success Factors

Government programs have helped many organisations form alliances and partnerships. However, many alliances form without government assistance. Organisations often meet potential alliance partners through industry bodies, professional networks or personal contacts. An alliance can also be a result of the evolution of a business relationship, for example a contractor may evolve into a partner.

As alliances continue to gain in popularity, more attention is being paid to the success of these alliances. The initiation of the alliance is one of the ten success factors for alliances identified by Segil [5]. Segil notes that 55 percent of alliances fall apart within three years and most do not recover the costs involved. The development and use of a process for the formation of the alliance and the building of strong partner relationships is shown to increase the success of the alliance. Other major success factors identified by Segil are common culture and open communication.

Weaver [11] finds that for an alliance to be a success the partners must have compatible goals and that their behaviours within the relationship must also be compatible. The behaviours of opportunism, trust, and forbearance are critical in determining outcomes of cooperative relationships. Opportunistic behaviour is motivated by the desire to gain an advantage relative to an alliance partner and will cause an alliance to fail. Trust between members will develop when members forbear by refraining from acting opportunistically. The

importance of developing trust is central to the fourth of Deming's fourteen points [19]. Deming stated that organisations must stop awarding business based on the lowest bidder because price has no basis without quality. In addition the goal is to have single suppliers for each item in order to develop a long-term relationship of loyalty and trust, thereby providing improved products and services [2,10].

Das and Teng [20] explore the complementary relationship between trust and control in an alliance relationship. They feel that each partner in the alliance must have confidence that the other partner will behave cooperatively. Both trust and control can increase partner confidence. While formal control mechanisms can undermine the level of trust among partners, social control mechanisms can enhance the level of trust. Das and Teng highlight the fact that trust needs to be developed in a conscious and gradual manner.

Buttery and Buttery [21] list the following five criteria to judge alliances and networks. They maintain that each of the five criteria should be met for an alliance to be successful:

- Domain Overlap – members must have something in common

- Something to Offer – each member must offer something to the alliance

- Motivation to Join – members must have the initiative to pursue alliances

- Climate – the culture, beliefs and business practices must be compatible

- Bonding – a bond must be formed between members

Amidon [22] has formed a model that places the partnership as the highest level of mutual cooperation between two companies in a strategic relationship. The four levels of alliance are defined by Amidon as:

- Transactions - One time sale of product/service

- Product solutions - Selecting/proposing an “augmented product/service” in response to an expressed customer need

- Business solutions - Shaping/configuring an array of benefits and features services to provide the value

creating functionality required by a customer

Partnering - Working with the customer to jointly craft business opportunities that would not have been possible without a deep mutual understanding/trust

The literature consistently emphasises that a strong bond will not exist at the beginning of an alliance relationship and must be developed over time. However, a relationship that exists for some time does not necessarily evolve into an alliance. A true alliance must sustain continuous improvements over time [18].

Summary

Strategic alliances are cooperative relationships between two or more separate entities that create competitive advantage by going beyond normal market conditions. The relationships are characterised by a high level of trust and mutual agreement on goals. Alliances normally evolve through stages, with the levels of information sharing and trust increasing over time.

Case Study: General Power Controls

The following case study outlines GPC's evolving alliances with both customers and suppliers.

General Power Control (GPC) is primarily a contract manufacturer for electronic consumer products. As a contract manufacturer, GPC successfully competes with other manufacturers throughout the world – more than 90% of its output is exported. The remarkable thing about GPC is that it is located in Penrith, Australia – on the western edge of Sydney. How can a relatively small company in a remote country like Australia with high labour costs compete? Strategic alliances have enabled GPC to not only compete successfully, but to grow by more than 50% per year over the past 7 years.

Made in Australia

Toshiba and Nortel are two of GPC's major customers. GPC acts as a manufacturing arm for Toshiba, manufacturing about 2/3 of the worldwide output of docking stations for personal computers. For Nortel, GPC produces most of their MBS2 range of telephones. Added value beyond manufacturing is provided for both of these customers. Services such as ensuring quality through complete testing and tailored quality systems and packaging and palletising the products for export provide efficiencies and cost savings for GPC's customers. The products look as if they have been manufactured by the customer (Toshiba or Nortel) – with one hint of GPC's involvement: 'Made in Australia' printed on the box.

This case will focus on the development of a strategic relationship between GPC and Toshiba over the past five years. It will also detail the evolution of the relationship that GPC has developed with one of its suppliers.

Background

GPC is one of the Utilux group of companies. Utilux is a family owned Australian business mainly focused on supplying electrical connectors to appliance manufacturers and telecommunications suppliers throughout the world. GPC was bought by Utilux in 1987 as a vehicle to explore new business opportunities. Since that time GPC has evolved from a company of 15 people to a world competitive manufacturer employing 600 people and growing steadily.

Culture and Environment at GPC

GPC have always been located in Penrith, and in their present premises for just over two years. However, they are already considering their next step as they are running out of space. The factory has been set up to provide a visible and efficient flow of material from the incoming supplies to the finished products. This visibility is a part of the emphasis on products rather than processes. Each person is able to see the bigger picture and is constantly reminded of their contribution to the final product. GPC tries to avoid rigid boundaries in employee responsibilities as well as in the physical layout of the factory. Employees are not expected to limit their responsibility to a narrow function. If there are problems, employees are able to quickly form informal groups to find solutions.

The product visibility is not only for those on the factory floor. The open plan administration section of GPC is located on the same level with a clear view between the office and the factory through a dividing wall of glass. Managing Director Chris Janssen would have liked to eliminate this glass dividing wall from the factory design, but the incompatibility of factory noises and phone calls required a compromise.

Toshiba and GPC – The Beginning

GPC did not enrol in a formal government program designed to promote alliances, but does credit the Australian Government's Fixed Term Agreements program (FTA) for making the alliance with Toshiba possible. The FTA is a program to encourage equipment suppliers to add value in Australia by restricting the government listed suppliers to ones that meet minimum requirements. This program involves no government subsidies. Due to the FTA, companies like Toshiba who wanted to continue to supply equipment to the Australian Government were given the incentive to look at designing or manufacturing products in Australia.

[23]

While the FTA created the environment, it was a 'serendipitous' contact that enabled the two companies to start negotiating. The value of networking in the industry is appreciated at GPC. Managing Director Chris Janssen likes to keep a finger on the pulse of the industry and is active in industry associations. Industry contacts have introduced many customers and suppliers to GPC and were also instrumental in GPC learning that Toshiba was considering manufacturing in Australia. GPC was then able to approach contacts at Toshiba and start the dialogue that eventually lead to the formation of the alliance. Personal relationships formed during the initial discussions and subsequently have been very important to the development and maintenance of the relationship and the building of trust.

The Evolving Relationship

The relationship between GPC and Toshiba has been evolving during the past five years. While cost is important, the ability for the companies to work together and share information at all levels is the key to producing the products in the short timeframe required. GPC is now working on the sixth generation of the docking station manufacture for Toshiba. Each job involves more added value by GPC. On recent projects, GPC was able to include additional services like testing, inspection and packaging, reducing the manufacturing cycle time. For the next project GPC and Toshiba are looking at the possibility of GPC producing the tooling. Currently most of the tooling is done in Japan. Tooling manufacture is started very early in the project in order to meet the tight time-to-market requirements. The frequency of design changes this early in the design cycle means that GPC and Toshiba will need to share even more information earlier than is currently required.

Most cost information is shared, and the companies share information on cost reduction. This is seen as the only way the relationship can be sustainable – because it is one of the best methods to keep manufacturing costs competitive. There is a clear understanding that the future of the business means that everyone has to do their best for quality, timeliness and cost reduction.

GPC's open relationship with Toshiba enables it to learn about the way business is done at a leading-edge customer like Toshiba. GPC acknowledge that the relationship with Toshiba has pushed them to become world class suppliers. The importance of leading-edge customers to the development of world class SMEs is highlighted in the Australian Manufacturing Council report, *The Wealth of Ideas* [24]. The report also emphasises the potential benefits that can be obtained from adopting a special relationship with suppliers. By sharing information and educating suppliers while exposing them to world class competition, both supplier and customer will benefit as the supplier improvements flow up the chain. GPC's alliances (as a supplier to Toshiba and with its own suppliers) have brought quality improvements and competitive advantage to all participants.

Supplier Alliances

One of the keys to obtaining high quality products and services is to work with suppliers in a partnering atmosphere to achieve the same quality level as attained within the organisation [10]. GPC has a number of supplier alliances that support the Toshiba projects. The main suppliers have been with the docking station manufacture since GPC started working with Toshiba. In order to be a leading-edge manufacturer, GPC has chosen suppliers that are world class, and/or have the capability and desire to increase standards. The preferred supplier alliances GPC has formed have helped a number of suppliers achieve leading-edge status. GPC needs to manage costs, but doesn't always look for the cheapest price from suppliers. The quality of the products and the reliability of delivery schedules are often more important than price. Ongoing relationships with suppliers have created a sense of trust and permanence. Many suppliers have made big investments to meet the needs of GPC's business – much like GPC has done to meet Toshiba's needs.

G. A. and L. Harrington Pty. Ltd is a metal pressing and toolmaking operation employing 130 people. It supplies pressed metal parts to GPC and is highlighted in this case study as an example of GPC's supplier

relationships. The relationship between Harrington and GPC is evolving beyond that of a contractor. Harrington has put special quality systems into place and invested in equipment that will help it to meet GPC's requirements. With each successive job, they are adding more value. Harrington works with GPC to develop business plans and formulate ideas about adding more value to the Toshiba/GPC alliance. As John Harrington stated, "We work toward the common cause of winning more of Toshiba's business".

Although GPC requires Harrington to quote for the business, factors other than cost are more important when awarding contracts. The reliability and continuity of supply for the current and future projects is most important to the evolving alliance. The relationships between GPC and suppliers is fairly open, with early sharing of information – but not yet as open as the Toshiba/GPC relationship.

Harrington is a subcontractor that has developed close relationships with many customers, including GPC. These relationships have pushed Harrington to achieve and maintain world competitive standards. Much of Harrington's work has been with the automotive industry. Harrington has adopted the automotive industry's quality systems (QS9000), and usually produces parts on a long-term contract. GPC's business has presented a totally different way of working for Harrington. New methods of handling the delicate parts have been introduced and Harrington have adopted special additional quality and inspection requirements. They have now achieved component handling and transport capabilities that exceed the level used by Toshiba in Japan. As each project evolves, Harrington and GPC communicate regularly to ensure that the supplies are ordered and that Harrington is aware of the latest specifications and expected volumes. Once Toshiba's designs are finalised, there is a very short cycle time for Harrington to be required to produce parts. Parts are then ordered only as needed, frequently with short lead times and limited volumes. Harrington has been able to learn a new way of doing business and meet GPC's requirements. With each successive project the requirements have become a bit more rigorous in a cycle of continuous improvement.

Harrington realises that the better their quality, the better their long-term position is because GPC and Toshiba will be able to offer better quality to their customers. Because all alliance partners have limited resources, they must work together as partners to maximise their return on investment. Harrington has been doing an

increasing amount of business with GPC. They feel that they can continue to grow with GPC, and look forward to adding more value in the future as the relationship continues to evolve.

Managing Relationships and Communication

There are many levels of communication to manage in such a close relationship between different companies.

GPC tailors their relationship with each partner differently depending on the nature of the business, culture and alliance. For example, the protocol for working with the Canadian firm Nortel differs from protocol for Toshiba. Similarly, supplier relationships are individually managed.

GPC has put in place two main elements to manage the Toshiba relationship. The first is a dedicated employee with the full time responsibility to deal with all aspects of the Toshiba projects. Corresponding departments in GPC and Toshiba are able to contact each other directly to resolve problems, but Bradley Ayres, the Customer Support Manager, monitors all developments and acts as the overall project manager. The second element is the installation of a 'hot line' from Toshiba's North Ryde headquarters to Chris Janssen's office – the Managing Director of GPC. While the hot line is not often required, it provides a great sense of security to Toshiba – to know that there is a high priority communication link to the top of GPC.

The resources that GPC dedicates to a customer like Toshiba are considerable. In turn, each supplier relationship consumes resources. By nurturing a few key suppliers, GPC is able to educate these suppliers and dedicate resources to the relationship. The relationships with alliance partners are always changing and must be constantly monitored. Phil Cavenagh, General Manager of Operations, notes that the communication within a relationship tends to be a series of problems to be solved. GPC understands the importance of communicating well and giving the customers and suppliers positive feelings. GPC must demonstrate that it is able to tackle and solve fundamental problems, building higher levels of trust and mutual partner understanding. Alliance partners need such reassurance through day to day communication.

Competitive Advantage through the Alliance

Designers and sellers of equipment are being forced to concentrate on their core functions. As product life cycles shorten, manufacturing is one function that they can rely on alliance partners to provide. GPC is able to provide the service faster than a large corporation like Toshiba would be able to. GPC is also able to

provide a cost advantage for the alliance through its management of the project. Australia does not have the lowest labour costs but has capable and cost efficient engineering and project management skills and a world-class infrastructure. With good management, GPC is able to provide a quality service at the lowest total price. Although the government's FTA program is credited with getting Toshiba to look at local manufacturing, it is not felt to have much to do with the ongoing success of the relationship. The relationship succeeds because the competitive advantage exists for Toshiba.

Such strategic alliances have multiple levels of benefits for the organisations involved as well as the industry in general. The organisations gain the ability to learn and improve their performance by dealing with world class partners. Without such alliances, many organisations feel that they would be left behind and unable to compete on the world scene. There is also a benefit for other industry organisations. Once the alliances are working well, other organisations may be able to make use of the established networks and the new skills, competencies and capabilities that have been developed. This benefits all players and can help to secure more customers.

The Future Growth

GPC is growing quickly in employee numbers and sales volume. The growth poses transition challenges. GPC wants to retain the current small company culture, employee empowerment and flat structure. However, they have also recognised the need to add formal systems to underpin informal systems. These formal systems are being phased in proactively to plan for the next phases of growth.

When hiring new people, GPC has found that skills are not the most important criteria. Culture and teamwork are at least as important. There is recognition that employing people with the wrong attitude could damage the company. Recruitment procedures are being developed to try to look for team players.

Managing Director Chris Janssen stresses that GPC does not want to grow for growth's sake and that the benefits of growth are not primarily financial. Growth and size provide purchasing leverage for GPC. They are able to get better price, quality and delivery with bigger volumes. Size also enables GPC to compete for bigger contracts. Other benefits of growth and good profits are that GPC is able to invest more in developing

staff. Staff see possibilities ahead when working for a growing company and the culture and morale at GPC reflect this. Chris Janssen finds that people respond well to being challenged and stretched, but is aware of the dangers of pushing too far. In the end, GPC is about the people and the skills they have. The growth of GPC enables its people to grow, this is what will 'buy the future' for GPC.

Evolution of the Toshiba Alliance

GPC is continuing to look for ways to add value to the Toshiba alliance. Currently the focus is on producing the tooling in Australia. GPC will produce most of the tooling for the next generation of docking stations. The production of tooling involves GPC taking a larger role in the management of the project. In order to produce tooling in Australia with short lead times, design information is required as soon as possible. The communication of decisions and pending changes must be efficient. GPC has recognised the increased value of understanding Toshiba's design process in this stage of the evolution of the relationship.

One method that has enabled the alliance partners to achieve a higher level of understanding and communication is to have a GPC representative working with Toshiba in Japan as part of the design team. During the development phase for the last two projects, an engineer from GPC worked in Japan on the new design. The level of trust required for such an arrangement to proceed is considerable. It is a major stage in the evolution of the relationship for GPC to be a part of the design process. As a result of the experience, both GPC and Toshiba engineers are better able to understand each other's ways of working and share information. These recent advances in the GPC – Toshiba alliance show steady progress in the development of mutual trust and continuous improvement. Both companies are exploring ways to continue the evolution of the alliance.

Other Alliances

GPC currently has strategic relationships with Toshiba and Nortel, and to a lesser extent Siemens. GPC would like to establish one or two more partnerships, but is careful to note that too many partnerships would consume too many resources. The right opportunities for future relationships are always being explored. Many alliances form out of what seems like chance, but GPC's Managing Director, Chris Janssen feels it is important to be out there networking, with a direction in mind.

The strength of the Toshiba relationship has helped GPC grow in both size and maturity. The continued survival of GPC will stem from the skills and experiences gained from such alliances. However, multiple alliance partners enable GPC to keep its independence, and the correct balance is always being monitored.

Conclusion

The alliances between GPC and its major customers such as Toshiba and Nortel, and between GPC and its major suppliers such as Harrington exhibit many of the characteristics highlighted in the literature:

The relationships go well beyond the bounds of normal arms length contractual arrangements;

The relationships are characterised by a high level of mutual trust that has been built up over a considerable period of time;

There is a strong mutual agreement on goals across all three levels of the supply chain; and

The evolving relationships have led to continual improvements over time of all members of the strategic alliances.

Strategic alliances can enable both larger organisations and SMEs to be flexible and responsive to market needs while keeping costs low. They can thus be both agile and lean. GPC is one example of a company that has been developing strategic relationships with suppliers and customers to successfully compete in the global market.

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Biographical notes

Catherine Killen

Catherine Killen is a lecturer in the Engineering Faculty at the University of Technology, Sydney, Australia. She has a Bachelor of Science in Mechanical Engineering from the University of Virginia (USA), and a Master of Engineering Management from the University of Technology, Sydney. Her fields of interest are the Management of Technology, and the Management of Engineering and Product Data. Catherine is an associate of the Centre for Management Innovation and Technology at the Macquarie University Graduate School of Management.

Robert Hunt

Robert Hunt teaches and consults in the areas of Innovation, Project Based Management, Operations, Technology and Strategy. Bob is Director of Macquarie University Graduate School of Management's Centre for Management Innovation and Technology, and holds a Bachelor of Engineering in Chemical Engineering from Sydney University, a Master of Engineering Science in Operations Research from the University of New South Wales and a PhD in Management from Macquarie University.

Bradley Ayres

Bradley Ayres (BE, MEM) is Customer Support Manager at GPC Electronics. In this role for the last two years, he is responsible for managing GPC's Toshiba account. Prior to this appointment, he was Senior Engineer at Utilux for ten years. During this time, he project managed several large turnkey manufacturing projects for Nortel and Toshiba, as well as a number of design projects for various customers. Prior experience was gained at Spurway-Cooke, BHP Port Kembla and A. L. Vincent. Bradley has recently completed a five year term as part time lecturer at the University of Technology, Sydney .

Christopher Janssen

Christopher Janssen (MBBS, MBA) is Managing Director of GPC Electronics and a Director of the parent company; Utilux Pty. Limited. Christopher has been in charge of GPC since Utilux acquired the company in 1985. In this period, he has overseen company revenues growing from less than \$1M to over \$100M whilst developing the company from a small local concern to an international manufacturer of electronic products.

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