

Internationalization of IdeaNet,
Evaluation of Strategic Partnering Alternatives

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<p>This project was organized and supervised by HAN-university as a graduation thesis and was done by a double degree student majoring in International Business and Management (IBM). Innovation Factory, a Dutch consulting and software development company specializing in idea management commissioned this project to increase growth through internationalization.</p> <p>The thesis task was to identify and evaluate strategic alternatives on how partnering can be done. The main aim of this project was to give advice on what is the best way to internationalize through partnering. The research method was quantitative including observation and in-depth interviews with industry experts. In addition, a literature review on partner selection and evaluation was conducted.</p> <p>The study reveals that Innovation Factory has the required attributes to pursue its current strategy but a strategic change might cause human resource related problems. The current product market is still emerging, lacking hard market data but the market can be seen as attractive for existing companies. A strategic analysis supports the company's choice of internationalization.</p> <p>Partner selection is a complex process that needs to be evaluated on a case-to-case basis. It consists of multiple phases and evaluation needs to be done using both quantitative and qualitative criteria. The study highlights the importance of qualitative criteria and the importance of a mutually beneficial relationship. Three strategic alternatives for partnering were identified:</p> <ul style="list-style-type: none"> ▪ “Do Nothing”: No strategic change, opportunistic approach to partnering. ▪ “Internal Selection”: Partner selection and evaluation is done internally. ▪ “Expert Evaluation”: An external expert is used to assist in partnering process. <p>Due to the nature of partner selection, the feasibility of different strategic alternatives needs to be re-evaluated often. This leads to the conclusion that each alternative can be feasible in the right situation. To choose the best strategic alternative for the specific partnering situation, Innovation Factory should look at market attractiveness and availability of external expert.</p> <p>This report provides a starting point for Innovation Factory's chosen internationalization strategy. It helps the company to choose between the strategic alternatives of partnering, thus allowing the company to prioritize the use of its valuable human resources.</p>	
<p>Keywords Partner Evaluation, Partner Selection, Idea Management, Internationalization</p>	

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Preface

This report is the culmination of my studies, both in the Netherlands and Finland. As a student working on two degrees in business through a double degree program, I have had the opportunity to study the field of business from various angles. Through experience gained from work and pursuing my degrees, I have noticed a growing interest and aptitude towards sales operations. This has caused me to seriously consider a career in sales, especially international operations. When I was given the opportunity to join Innovation Factory's young and motivated team as a Graduate intern, I did not hesitate to accept the challenge. I feel that participation in channel sales planning and operations for a dynamic consulting agency will give me valuable experience and a positive push towards the career path that interests me. Therefore, this opportunity feels like a very good fit between my studies, plans and goals.

This process has been a great learning experience, given me practical knowledge on research methodology, process and time management. If I had to point out the one thing I learned, it is that things often do not go as planned. I was told that the plan of approach is not set in stone and now I know what it meant. It is easy to say that this assignment has not been easy, but then again, a graduation thesis should not be a walk in the park. I have gained confidence on the process in general and feel, that tackling future assignments will be easier because of this. This thesis has given me more practice on critical thinking, something that will benefit me both, in working- and civilian life. It is also worth mentioning that working in an international environment has not only provided me with valuable international experience but also an opportunity to build a network of professional contacts and good friends. I have gone through a lot in this process; there have been failures, successes and personal tragedies. Everything has happened in an environment new to me, adding its own flavour to the dish. I am confident in my statement, that in addition to gaining important work experience, I have also grown as a person.

My primary research would not have been possible without the assistance and input of exceptional professionals. Therefore, I would like to offer my sincere appreciation to Han Gerrits, Henry Hemming, Hennie van Heukelum and Giorgio Lavelli.

Other people I would like to acknowledge for their support during this process are, in alphabetical order: Freek Bakker, Gyuri van der Bilt, Sami Järvinen, Jordi Krusemeijer, Ebbe Nieuweboer, Marina Ponomareva, John Rance and Jose de Vries

Definitions

Challenge Management – Concept of people being directed to participate in a process to overcome challenges by generating, rating and developing ideas. (Innovation factory 2011.)

Collective Innovation – Using the available collective intelligence as the fuel of the innovation process. (Slawsby, A. & Rivera, C. 2007, 35-36.)

Idea Challenge – One-off project to create, enrich and evaluate ideas that is ran using the *IdeaNet* (see description below) software. Also see **Internal Idea Challenge** and **Public Idea Challenge**.

IdeaNet – Collaborative software tool that allows users to collect, rate, modify and share different types of information. (Innovation Factory 2011.)

Idea Management – Process of collecting, sharing and enriching ideas in a collaborative environment within a user group.

Internal Idea Challenge – Project run using the tool *IdeaNet* (see description above), where users are limited to company employees; further division into smaller user groups is possible.

Public Idea Challenge – Project run using the tool *IdeaNet* (see description above), which is open to the public, including but not limited to customers.

Relevant consulting field – Consulting companies that can credibly offer a collective innovation or similar service solution are considered to be relevant for this study.

Web 2.0 – Term linked to the way we use the Internet to communicate. Used to describe the trend of the Internet becoming more participatory and collaborative leading to an increasingly interactive environment.

Agile Development – Iterative and incremental software development process that utilizes self-organizing and cross-functional teams.

1 Introduction

Innovation Factory, a Dutch company, operates in the growing market of collective innovation and challenge management. As a new company it faces the challenge of increasing its sales in a globally immature market, where the players are not known and the target groups have not yet been defined. To successfully expand operations, the company wishes to internationalize its operations through partnering.

“We are going abroad, what should we do?”

1.1 Company

Innovation Factory BV began its operations in the summer of 2005 as a two-man consulting and software development company specializing in challenge management and innovation. It has then gradually grown into a company employing 13 full-time employees and the occasional interns with an estimated market share of 5% in the global idea management market. The company currently operates actively in the Netherlands, in the field of management consulting, offering challenge training, lecturing and software supported idea management services. Past customers include such large international clients such as Vodafone, Heineken, American Express, Philips and many others.

The company offers consulting services closely supported by its software, IdeaNet. Working with this award winning software, Innovation Factory offers on- and off-line consulting on innovation and challenge management. The company is in a situation, where it feels that it should start increasing revenue through internationalization.

1.2 Structure of the Report

This graduation thesis seeks to tackle the challenges of internationalization through partnering in an emerging product market and it consists of eight chapters. After this introduction, the remaining report can be divided into four parts. Chapter two and three set the stage for this research, presenting the research framework and literature review. Chapter four to six provide a situational analysis of Innovation Factory and the

idea management market. Chapter seven presents the primary data and uses it to create the strategic partnering model, conclusions and recommendations on its use. Finally, in chapter eight, the success of this research is looked at and evaluated, leading to recommendations and suggestions towards further research.

2 Research Framework

This chapter presents the research framework used in this graduation thesis. It starts with a problem definition, defining the research scope and setting the research objectives. This is followed by the research questions. Then the methodology is introduced, followed by the models used and a visual representation of the research in the form of a framework picture. The chapter ends with a look into the validity and reliability of the research.

2.1 Problem Definition, Scope & Research Objective

Innovation Factory, after having researched strategic expansion alternatives, has decided to pursue internationalization through partnering. As the company has limited experience in international partnerships, it is unsure on what its strategic alternatives are. The problem is defined as a lack of knowledge on strategic alternatives and how to choose between them.

This graduation thesis will study partner selection. The scope of the theoretical study was set to existing literature on supplier- and distributor selection, selection methods and the general partner management process. The primary research was limited to study qualitative factors of partnering in the fields of software development and management consulting. The following subjects were studied:

- Selection and evaluation process
- Selection and decision criteria
- Feasibility of alternatives from Innovation Factory's point of view

The aim of this graduation thesis is to analyse internationalization through partnering on a strategic level. This was done by creating a feasible partner selection tool and identifying and evaluating strategic alternatives on how partnering can be done. As a result, advice is given on the best approach to internationalize through partnering.

2.2 Research Questions

The research question for this graduation thesis is stated as: *What is the best strategy for Innovation Factory to internationalize by means of partnering?*

In order to provide a well-considered answer to the main research question, the following sub questions were answered:

1. What are the decision criteria for choosing between alternative strategies?
2. What alternative strategies are there to choose from?
3. What specific steps are there in the partnering process?

2.3 Methodology

A qualitative method was chosen for this graduation thesis due to the nature of the research, which required that the researcher becomes more familiar with the software supported idea management industry and partner selection within it. Primary data was obtained through expert interviews and participant observation. Participant observation was done in the form of field research with the researcher working in the company. This was done to gain understanding on how the company functions on a day-to-day level and used to gather data for the environmental analyses. The interviews were used to gain the subjects expert in-depth knowledge of partnering-related subjects. The targets for the primary research were selected because they are experts in the chosen fields; all subjects hold many years of experience in their chosen fields. Four scheduled interviews with industry experts and multiple non-scheduled opportunistic discussions with Innovation Factory experts were held during this research. Apart of the scheduled structured interview with Han Gerrits these interviews were semi-structured. The interviews were based on prewritten subjects that had been provided to the interviewees before hand. Questions were used during the interview to steer discussion to stay within relevant subjects. The experts that participated in scheduled interviews for this research were:

- Innovation Factory founder: Han Gerrits
- Industry expert: Giorgio Lavelli
- Industry expert: Henry Hemming

- Innovation Factory client: Hennie van Heukelum

All discussions were in English and although English was not the primary language of anyone involved, the level of business English of all participants was sufficient for efficient communication. Nevertheless, as a conclusion to the interview, key points were confirmed to assure that the relevant information was not misunderstood. Additionally, all subjects knew they were being interviewed for a graduation thesis that was commissioned by Innovation Factory. There is no reason to suspect that any of the interviewees were anything but truthful in their answers. Transcripts of the scheduled expert interviews can be found in Appendix 4.

A theoretical study into partner evaluation and selection was also conducted. This is presented as the literature review.

In addition to expert interviews, an e-mail questionnaire was sent to a group of medium and small-sized software development companies. Due to the different research focus of the questionnaire, the results ended up being invalid for this research and were excluded from this thesis. Additionally, two scheduled expert interviews were cancelled due to deaths in the immediate family. Nevertheless, data obtained through primary research was sufficient to draw conclusions from so there is no foreseen effect on the validity of the research.

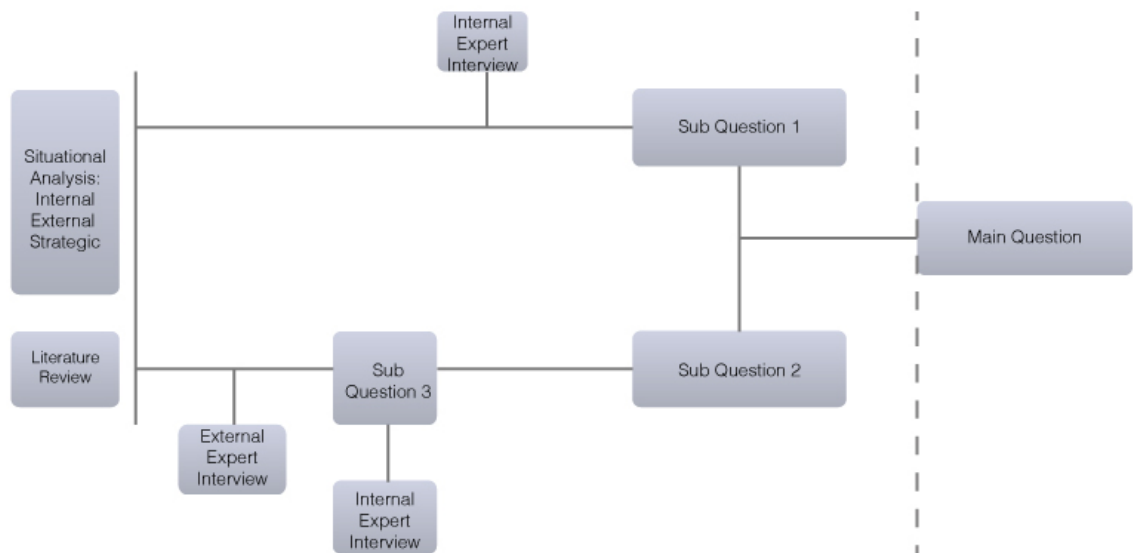
Desk research was used for the situational analysis (internal-, external- and strategic analyses) and literature review on partner selection. This secondary data was the premise used for the primary research.

Table 1. Methodology used to answer the sub research questions and main question of this thesis.

RQ:	Primary Data	Secondary Data
1.	Internal Expert Interviews	Desk
2.	Internal Expert Interviews	Literature
3.	External Expert Interviews	Literature
MQ	Result of a Data Analysis	

To provide a solid base for data gathering and analysis, established management models and analysis tools were used during this thesis process. These specific models were chosen due to the researchers previous experience with them:

- Seven Systems (Referred to as 7-S): Used to gain insight into the company’s capabilities to achieve its current objectives.
- Porter’s five forces: Used to provide a structured method to describe the current external situation to the reader.
- Kraljic’s purchasing model: Used to analyse the bargaining power of suppliers for the Porter’s five forces analysis.
- PEST-Analysis: Used to identify potential external opportunities or threats in the macro-environment.
- SWOT-Analysis: Used to identify and list the strengths, weaknesses, opportunities and threats of the company and through this tie the internal and external analyses together into a coherent ensemble.
- TOWS-Analysis: Used to identify possible strategic alternatives to minimize the weaknesses and threats and maximize use of strengths and opportunities.



Picture 1. Visualization of the Research Process

2.4 Credibility of Research

Reliability and validity are common terms used in quantitative research. In qualitative research the separation of them is obsolete since they both refer to the credibility of the research (Golafshani 2003, 600). The importance of credibility comes down to defensibility of the product. Therefore, having a direct impact on its value.

During this research project the researcher maintained credibility during the scheduled interview processes by being a listener in the interviews and by taking and including notes of them in the report in the form of transcripts.

Johnson (1997) lists multiple strategies to increase the credibility of a qualitative research. These can be found in Appendix 5. From the strategies listed by Johnson (1997) the following were used in this thesis to ensure credibility:

- *Extended fieldwork*
- *Triangulation:* Data triangulation was used in the form of choosing interview subjects from both of the relevant fields (software development and consulting) and amongst a client. Method triangulation was used in the form of interviews and observation.
- *Low interference descriptors:* English was used in the interviews to avoid translation errors and interpretations.
- *Participant feedback:* Interview interpretations were checked with the interview subjects to gain corroboration.
- *Peer review:* Discussions on conclusions were had with other people.
- *Reflexivity:* Critical self-reflection was used to identify possible researcher biases during the process.

3 Literature Review

The literature review presents the theory findings on partner selection and evaluation. The chapter is divided into seven subchapters according to subject. The chapter will start with a review on the industry (7.1), followed partnering motivation (7.2). Then, the partner selection criteria (7.3), -process (7.4) and –methods (7.5) are presented. Finally, the support and control (7.6) of a partnership will be looked into, with the chapter ending in a literature review conclusion (7.7) that summarizes the findings.

3.1 Industry

Manufacturers often seek and recruit distributors through an evaluation of potential candidates, emphasizing performance. This process typically consists of identifying and applying criteria deemed to be relevant and rating distributors based on findings. This reflects an evaluation of values, rewards, costs and risks inherent in the selection. (Lin, & Chen 2008, 358-361.)

Due to the marketing responsibilities of foreign agents in their local markets, distributor selection can be described as one of the most important choices a company makes in its internationalization process (Cavusgil, Yeoh & Mitri 1995, 297). A notable point is that distributor selection has not been studied deeply and theoretical methods have not yet been fully applied in industries. Mainly the selection and evaluation contains qualitative information, which is difficult to analyze by conventional statistical techniques. (Zou, Tseng, Sohn, Song & Gutierrez 2011, 106.)

According to Varis, Kuivalainen & Saarenketo (2003 1, 3& 24) software companies often have a certain window of opportunity to get their products into the market and the industry offers manufacturers plenty of channel options; the key is to find the right players for the task at hand. Research by Bell (1995, 69) expands on this by pointing out, that most international partnerships by small software firms concentrate on marketing aspects rather than technical collaboration.

Duyster, Kok & Vaandrager (1999b, 350) present that in the modern environment it is inadequate to assume companies are acting independently in markets. Therefore, it is important to also look at the current strategic allies of potential partners. This aspect should be taken into account when looking at strategic fit (Duyster, De Man & Wildeman 1999a, 183-186). This is highlighted in the consulting industry, where reputation and previous dealings are important in consultant selection. Dawes, Dowling & Patterson (1992, 189-191) explain, that reputation building is extremely important due to findings that how existing and previous clients are the most profitable due to being easy to approach.

Varis et al. (2003, 11) conclude that the most important thing to keep in mind when implementing a partner selection scheme is the ability to be able to offer a complete chain of customer service functions.

3.2 Partnering Motivation

According to study on partnership motives performed by Contractor & Lorange (1988, 3-30), seven possible benefits on partnering efforts can be identified:

1. Risk Reduction:
 - a. Production portfolio diversification.
 - b. Dispersion and/or reduction of fixed costs.
 - c. Lower total capital investment.
 - d. Faster entry and payback.
2. Economies of scale and/or rationalization:
 - a. Lower average cost from larger volume.
 - b. Lower cost by using comparative advantages of each partner.
3. Complementary technologies or patents:
 - a. Technological synergy.
 - b. Exchange of patents and territories.
4. Co-opting or blocking competition:
 - a. Defensive joint ventures to reduce competition.
 - b. Offensive joint ventures to increase costs and/or lower market share of third company.

5. Overcoming government-mandate investment or trade barrier:
 - a. Receiving permit to operate as local entity because of local partner.
 - b. Satisfying local content requirements.
6. Initial international expansion:
 - a. Benefit from local partners know-how.
7. Vertical quasi integration:
 - a. Access to materials.
 - b. Access to technology.
 - c. Access to labour.
 - d. Access to capital.
 - e. Regulatory permit.
 - f. Access to distribution channels.
 - g. Benefit from brand recognition.
 - h. Establishing links with major buyers.
 - i. Drawing on existing fixed marketing establishment.

Cavusgil (1998, 92) also identifies seven possible benefits from international partnering which can be considered similar than the ones presented above.

Research done by Wang & Kess (2006, 475) concludes that product-related features are more important for the distributor when selecting a supplier; the competitive advantage of the product is a critical basis for the future commitment of distributors in the partnership. They follow-up with presenting findings that the partnership will start to become looser and looser as time goes on if the product does not keep pace with the market development.

3.3 Partner Selection Criteria

Geringer (1991, 44-47) argues that partner selection criteria are based on two dimensions,

1. Partner-related criteria include variables such as candidates national and corporate culture, organizational size and compatibility and trust
2. Task-related criteria consist of variables like technical know-how and proper marketing and distribution systems.

Varis et al. (2003, 12) takes this division further by presenting a four dimension point of view consisting of: product and service fit, customer fit, marketing and sales fit and business potential. Through a series of brainstorming sessions with industry experts, Cavusgil et al. (1995, 300) identified 35 attributes and grouped them into five dimensions similar to the ones presented by Varis et al. above. These attributes are presented in Table 2.

Table 2. Selection criteria attributes



When Wang & Kess (2006, 475) conducted research on distributor selection criteria from manufacturers and distributors, they found it interesting that distributors concentrated on partner related dimensions while manufacturers were dominantly more product related. They suggest this could be due to the distributors trust in their own product related capabilities, thus making it a secondary point to consider.

Nevertheless, however the criteria are divided, it is the partner-related factors that take precedence in the actual partner selection situation. It is suggested that task-related factors are mainly used to determine the need for a partnership while the choice of partners is done using partner-related factors. Decision factors should not be considered as fixed though, but evaluated on a case-to-case basis depending on the given situation. (Al-Khalifa & Peterson 1999, 1078-1079.)

Research into supplier selection done by existing companies points out that “soft” selection criteria (not measurable) did not rank among the more important selection criteria while “hard” criteria (measurable) were rated as more important and were also more commonly used. Nevertheless, research indicates that “soft” factors have a broader impact on performance than the hard but at the same time are often overlooked and considered less important. (Kannan & Tan 2002, 13-14 & 17.)

Cavusgil (1998, 95 & 103) highlights the importance of soft criteria. He states that managers should not only assess the company’s ability but also the potential partners willingness to commit resources into the project. Anticipating the degree of synergy between the company and potential partners will become more important in the medium timeframe – three to six years in the future. In any case, evaluation of prospects willingness to contribute during different stages of the partnership should be done.

3.4 Partner Selection Process

A generally accepted idea is that the process begins with problem recognition, proceeds through a search for information and to vendor identification and evaluation. It finally culminates in the selection of one or more vendors. The selection decision consists of two tasks, evaluation of prospects and final choice. The evaluation typically consists of identifying attributes and other relevant factors to the decision and the actual choice is often following preset rules on how to use the collected information to come to a decision. Thorough selection is important not only to gain success, but also because terminating a poor relationship might prove to be costly and difficult (Cavusgil et al. 1995, 299). (Patton 1996, 136.)

It is important not to forget to take a look at the partnership from the potential partners point of view. For example, what do they benefit from the venture? A sound understanding of what the partner wants from the venture will help define the sales pitch. (Cavusgil 1988, 96, 99 & 104)

According to Root F.R. (1994, 65) potential candidates can be sought using sources such as:

- Government Agencies
- Trade Associations
- Trade Publications
- Trade Fairs
- Chambers of Commerce

Moore R. (1992, 45&46) presents a different view based on his empirical study between UK manufacturers and German distributors. According to him, the most important sources of information were:

- Recommendations
- Local Market Knowledge
- Trade Fairs

This selection can be done in many ways. This literature review gives three examples of possible selection strategies.

Root F.R. (1994, 85-92) describes the selection of foreign distributors as a 4-part process consisting of:

1. Drawing up the distributor profile
2. Locating prospects
3. Evaluating distributor prospects
4. Choosing the distributor

Monczka, Trent & Handfield (2005, 209) present a more thorough 7-step supplier evaluation and selection process, although the above four parts can be seen as being part of it:

1. Recognize the need for supplier selection
2. Identify key sourcing requirements
3. Determine sourcing strategy
4. Identify potential supply sources
5. Limit suppliers in selection pool

6. Determine method of supplier evaluation and selection
7. Select supplier and reach agreement

Boer, Labro & Morlacchi (2001, 77) suggest splitting the selection part of the process into two clear parts, pre-qualification and final choice phases. They continue that the selection process comes down to sorting suppliers into acceptable and not acceptable entities and then ranking the acceptable suppliers; sorting and ranking should be considered as two separate activities in the whole process.

Varis et al. (2003, 11& 12) take a closer look at the whole partner management process. They see the whole process having an estimated duration of 8 months and consisting of 11 phases. The process seen by Varis et al. is split into the following phases:

1. First Contact
2. Early Negotiation
3. Analysis of Potential Partner
4. Second Stage Negotiations
5. Signing the Contract
6. Early Phases of the Partnership
7. Training
8. Consultant Gives Further Training
9. Pilot Case
10. Normal Operations
11. Review

International partnerships often fail due to a casual approach to foreign investment, when there has been no systematic process for finding the right partners (Cavusgil 1988, 93). According to Bell (1995, 71), many software companies internationalize very rapidly, often skipping some phases. He suggests this is due to the dynamic nature of the industry combined with the fact that physical distribution is a secondary thing to consider. He also points out, that many companies face restrictions due to strain on human resources. Wang & Kess (2006, 477) conclude in their research that due to its case sensitive nature distribution selection cannot be formalistic by default.

3.5 Partner Selection Methods

In their publication Dawes et al. (1992, 189-191) state that there is clear evidence to show that different attributes are utilized depending on if you are selecting or rejecting a supplier. Patton (1996, 140) also noticed in his research, that the commonly used common linear selection method might not be the best way to identify which partners should be avoided. This is linked to sorting and ranking, where Boer et al. (2001, 81) supplement their 2-phase selection theory provided earlier by suggesting different types of selection methods to be used depending on the type of selection. They describe the pre-qualification methods as sorting while the final choice methods are of a ranking nature. They also remind that the choice of a proper selection method should always be case specific. The methods provided by Boer et al. (2001, 82-84) are as follows:

- Pre-Qualification
 - Categorical method
 - Data envelopment analysis
 - Cluster analysis
 - Case-based-reasoning
- Final Choice
 - Linear weighting models
 - Total cost of ownership
 - Mathematical programming models
 - Statistical models
 - Artificial intelligence based models

Patton (1996, 136) expands on selection methodology by supporting “models of human judgement”, which he splits into two basic categories: the linear, compensatory models and the non-linear non-compensatory models. Non-compensatory models are well suited for screening purposes, sorting unqualified from qualified vendors when building strategic alliances (Spekman 1988, 79).

Tversky (1972, 297) states that decision makers cut unqualified applicants using an elimination-by-aspect approach. Patton (1996, 142-143) agrees on the method and ex-

pands on this subject by suggesting that in many selection cases, attribute importance can be reflected through the use of weights.

Patton (1996, 144) concludes that his that decision makers might be using a combination of models rather than sticking to just one. He expands on this by stating that a decision maker who habitually sticks to one exact method can find him/herself making less than optimal decision. Wang & Kess (2006, 475) present similar findings and conclude in their research, that selection programs, such as the expert system presented by Cavusgil et al. (1995) can be used as a tool to support decisions but should not be trusted to provide the final answer in all cases.

3.6 Support & Control

Due to various reasons, for example disinterest from the best candidate, sometimes a manufacturer has to choose the second best or even less qualified partner. Therefore, it is important that the company is able to strengthen the partner companies' capabilities to work with the manufacturers product by offering them support needed. This can be done, for example, through transfer of knowledge. (Cavusgil 1998, 95.)

Both the supplier's willingness and ability, as researched by Kannan & Tan (2002, 11), have a significant impact on the partnership, yet it is widely considered unimportant. Cavusgil et al. (1995, 92) state that committed distributors are often more willing to provide market intelligence back to the supplier and being more willing to invest in the relationship by sacrificing time and resources that allow the relationship to be maintained and grow further.

A certain amount of control is required to nurture a partnership. To be able to establish whether a partnership is functioning properly it is important for managers to establish objectives and criteria on how the relationship will be evaluated in the future. This control should concentrate on the relationship aspect, unless the task-related situation has changed during the course of the partnership. This should also be done through the partner's point of view, asking: "is the partnership good for them?" (Cavusgil 1998, 98-99)

3.7 Literature Review Conclusions

According to the literature reviewed, creating relationships is a time consuming process and terminating a partnership can be expensive. This highlights the importance for careful partner selection. The reviewed literature divides the criteria into partner- and task-related criteria. Partner related criteria are used to evaluate potential partners while the task-related criteria combined with partnering motivation define the possible needs for a partnership. Research by Kannan & Tan (2002) shows that soft criteria have a higher impact on the success of the venture.

Multiple literature sources suggest distributor selection by developing a selection process that takes into account the motivation for the partnership for both the company and its potential partners, creating a foundation that allows a win-win-situation. This helps define the task-related criteria and distributor expectations, ensuring the possibility for a mutually beneficial business venture.

1. As distributors are often product oriented, the match between the supplier's product and potential partner should be clear.
2. Identifying partnering needs and wants allows the creation of specific task-oriented criteria that enables the evaluation of candidates to make sure they are capable of fulfilling the needs of the situation.
3. The company's internationalization needs should also be represented in the criteria used. This type of criteria can be used to produce absolute answers. Therefore, this can be seen as a validation in using task-related criteria in conjunction with a non-compensatory sorting method to separate the unqualified subjects from the qualified.

The partner-related selection criteria are highlighted as the criteria that differentiate the candidates from each other. This makes them a logical tool to rank candidates; both compensatory and non-compensatory methods can be used.

The process can be summarised as being a multi-phased event:

1. Starting with problem recognition
2. Followed by sorting the candidates

3. Culminating with selection
4. After selection, the actual partner management process continues with meetings, negotiations and possibly pilot programs

The division between pre-qualification and final choice phases is the key point to keep in mind when looking at the literature reviewed on the selection process; sorting and ranking should be considered to be separate activities. Different attributes need to be utilized for sorting and ranking and it is often needed to combine different methods rather than sticking to just one. In the end, the selection process and methods need to be looked at on a case-to-case basis.

Support and control, while not selection as such, should be included in the total partner management process to increase chance of success and estimated value of the venture. Support is set as an important tool, not only to increase the partner's capability, but also to strengthen the relationship and build trust. Control is about evaluating the relationship to identify possible issues and should concentrate on the relationship unless of course the needs behind the partnership have changed.

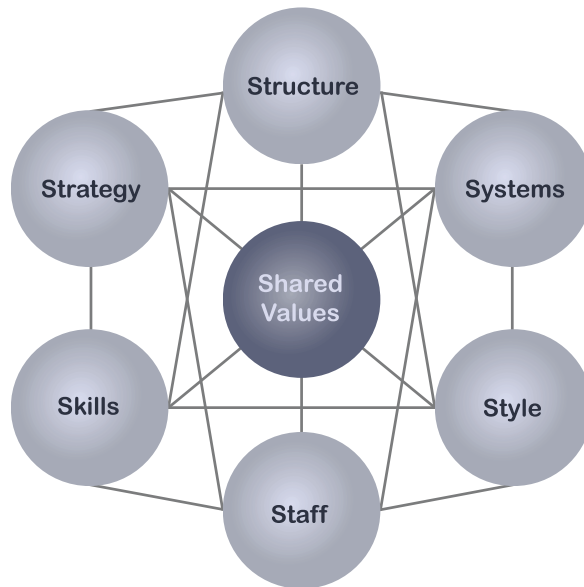
4 Internal Environment Analysis

The internal analysis takes a look at the internal environment of Innovation Factory. It does this by studying the elements presented in 7-S model, describing the current marketing and financial strategy of the company and ending in a product analysis of IdeaNet. In addition to internal sources, participant observation was used to study the staff in their natural setting. The information gained through this process was used to derive possible strengths and weaknesses of the company. This data was then used to analyse the strategic situation of the company and to provide insight into possible decision criteria. Additionally, the reader can use it to gain a more in-depth understanding of the company's character.

4.1 7-S Model

To analyze the internal environment of Innovation Factory the 7-S management model was used. During this process the company is divided into seven key elements. Studying how these elements are aligned potentially shows us if they are reinforcing each other or perhaps working against the current in a disruptive manner. For this report, the 7-S model is used to gain a structured method to provide descriptive information to the reader and to provide a tool to analyze internal strengths and weaknesses of the company.

The seven elements of the 7-S framework are divided into two categories, hard and soft elements. The hard elements are relatively stable and straightforward to define. These elements include the strategy, structure and systems of the company. The soft elements are more difficult to define, but can be described as being more qualitative, influenced by environmental factors like corporate culture and characters working in the company.



Picture 2. A visual Presentation of the 7-S Framework

Shared Values

Innovation Factory envisions a network society that has changed the way we share, allowing us to respond even faster in a world afflicted with constant change (*Vision*). To realize this, Innovation Factory assists large companies to connect ideas to knowledge to people, therefore helping them become what the company calls innovation factories themselves (*Mission*). The core values supporting this process evident in the corporate culture are creativity, communication and collaboration.

As the company has undertaken a project to improve our way of sharing and improving ideas and build a software tool to support it, creativity can be thought of as the given value of the company.

The company operates under an ethic code combining written clauses with unwritten procedures and based on it, strives to create value to its customers through open communication, reliability/security and collaboration. This code can be seen in action through some examples; external communication is based on transparency and done under the company name, intellectual property of the customer is protected by established security measures and NDA-clauses and design work is done in collaboration with customers, accommodating suggestions and needs when possible.

This combination has created a strong corporate culture that is present amongst the workforce. It can be described as social and creative, work is done in loose informal teams and communication is informal and open. The evidence of the core values can be seen in everything the company does and how it does it, therefore the presence can be evaluated to be strong. These issues resonate to different parts and are strongly visible for example in the staff, style and structure of the company.

Strategy

Since idea management is still a developing product market in the introduction step of its life cycle, the state heavily influences Innovation Factory's strategy, making it more opportunistic and ad-hoc. As the market has matured, the company has adapted and changed its strategy from creating product awareness to building a credible customer portfolio and strengthen chosen position as a leading idea management provider able to provide professional service to large corporations. Therefore, the level of the product market is a defining aspect when looking at the company strategy and the general phases of the strategy can be described as:

1. Emerging Product Market; all possible clients are grabbed, software oriented approach with a lower price.
2. Developing Product Market; company becoming more active in choosing the right clients to protect chosen positioning, price is not an issue anymore and has doubled from 1st phase.
3. Maturing Product Market; company shifts from actual idea management to training channel sales partners in providing idea management services using the IdeaNet platform.

Innovation Factory is currently in the 2nd strategic phase, preparing to enter the 3rd strategic phase. Hard financial objectives have not been set. The current goal is to increase clients from eight to 150 by the year 2016.

Internationalization of Innovation Factory is the company's chose tool of growth in the second phase. The strategy is based on finding channel sales partners with existing market reach. Therefore, the customer portfolio of potential partners is an important point of interest. The other strategic requirement Innovation Factory sees in potential

partners is their operations size. Innovation Factory has chosen to retain utility by keeping its own overheads low by keeping a small staff that concentrates on the companies primary functions of support and development.

Structure

Innovation Factory is a privately owned limited company (B.V) operating from Amsterdam, the Netherlands, with three private shareholders. The company operates under a flat, team based, organizational structure where teams are created to tackle tasks at hand. A division amongst the staff can be done into software developers and management consultants who work closely together as cross-functional teams in developing the software, Idea Net, and during Idea Challenge-projects. The teams act as self-directed entities being led by a team leader but aiming towards consensus based decisions. In Idea Challenges, the teams often include members from the client company.

While the whole staff works in close collaboration with each other, teams are often created when new tasks emerge. Division on tasks is done through employees using their own initiative to grab tasks they feel they are most suited for, prioritizing assignments according to deadlines and need. Teams are self-motivated and supervision is minimal. Reporting is mostly unstructured, implicit and casual, done, for example, during weekly staff meetings. The procedure allows individuals the opportunity to participate in decision making when they feel that they can contribute to the task at hand. This leads to a flat hierarchical structure with decentralized decision-making.

Systems

Innovation Factory recognizes the need for efficient communication, as a reflection of this the general systems used are communication heavy. The company has implemented multiple software solutions to support this, concentrating on internal communication. The company uses an internal Wiki as a repository for relevant and static information. This is supplemented with the use of tools that support real-time communication, email and the enterprise social network Yammer. Additionally, the software developers use a tool called PivotalTracker, which is effectively a interactive to-do list allowing developers to evaluate priority and split tasks according to preferences.

The environment for software development is a combination of MySQL and Ruby on Rails based on the agile software development methodology done in collaboration with the consultants and customers. Data stored by Innovation Factory is stored using internal servers that are protected by firewalls. Additionally all communication through IdeaNet is encrypted.

Communication with partners and customers is commonly done through email and phone, although IdeaNet allows consultant feedback to be given to the end user. Meetings and workshops supplement the use of technology, both internally and externally. No formal structures have been created for meetings, though the basic structure in communication with customers seems to have become quite standardised.

In addition to communication and other software related systems, physical security is taken seriously. This includes both the office and server locations that are access restricted and both are under constant camera surveillance. Additional varied security systems are in place at server locations.

Style

The adopted leadership style of management in the company can be described, as a mixture of delegative and free-reign, leading to high employee control. Official supervision of the workforce is minimal to nonexistent. The leadership style seems to fit the staff, consisting of specialised experts, and the casual work environment. The chosen leadership style combined with the general cooperative attitude has lead to functioning nominal teams that support the project-based real teams.

The mood can be described as motivated, positive and enthusiastic and the office and daily procedures reflects this. The office is equipped with a foosball table and a pinball machine that see hard use, lunches are taken together as a group and it is customary to provide gifts to the employees during big days such as birthdays. There is no official dress code with the exception of customer meetings and seminars where business or business casual is adopted, depending on the occasion.

Staff

In addition to the CEO and face of the company Han Gerrits, the company permanently employs two software developers, five management consultants, two systems administrators and an office manager. The staff consists mostly of young men but both genders are present. The staff can be characterized as a young and dynamic workforce. The company acknowledges no formal selection criteria for hiring; situations are looked on at a case-to-case basis depending on possible fit and company needs. The software developers are responsible for developing the IdeaNet software, while the systems administrators are responsible technical customer support and general troubleshooting. The management consultants are responsible for the idea management workshops and most customer interaction, including drafting proposals and designing brainstorming sessions. The office manager is responsible for managing the day-to-day tasks at the office, making sure things go on smoothly, this includes but is not limited to restocking supplies and catering to customer meetings. In addition to this, the company commonly offers opportunities for students in the form of internships and graduation assignments. The evaluation of individual workers is done using methods of peer- and self-evaluation culminating in evaluation interviews. The process is designed to allow the employee to receive feedback and give him the opportunity to voice opinions and requests. The staff does not include marketing and sales experts.

Skills

The skills present at Innovation Factory also represent the company's core competencies of consulting and software development. While monitoring and assessing individual performance is nonexistent, idea challenges are tracked and assessed. The success is evaluated based on amount of ideas created, enriched and the amount of ideas being forwarded towards implementation. Since even a single idea can be priceless, the quantitative evaluation is supplemented with qualitative evaluation done with the client. Quantitative data on past challenges obtained from internal sources can be viewed below in Table 3, which demonstrates Innovation Factory's success in idea management. Additional success can be seen from SAM Indexes (2011) presentation of the Dow Jones sustainability index where post NL was selected super sector leader in sustain-

ability partly due to its use of innovation supporting software, namely IdeaNet. Additionally, Innovation Factory has not lost any clients after a contract has been signed to other idea management providers.

Table 3. Client results from IdeaNet

Client	A	B	C	D	E	F	G	H
Challenges	31	9	2	1	1	1	1	1
Countries	25	1	10	30	1	6	1	1
Ideas	>3000	430	320	1036	103	200	85	85
Implemented or in development	150	25	26	10	5	48	20	3
Enrichments	>7500	2500	200	1000	500	130	650	651
Votes	>15000	900	600	500	140	100	420	422
Users	>15000	2000	1200	1400	920	50	2750	300

The major skill sets present in the employees are skills linked to software development and innovation. The software developers have degrees in computer science and the consultants have degrees in innovation management or business management. As practical projections of the skills present it can be stated that the software development team has previous work experience working with the largest networking sites in the Netherlands such as Hyves. Additionally, a management consultant of the company won an innovation award connected to the “Innovatie Proeftuin” competition part of the Dutch governments Innovation Platform initiative. General skills needed to function in the work environment reflect the values of the company and are creativity, communication and team working ability.

7-S Conclusion

Two worksheets were created to study the alignment of the seven elements of the company by comparing the elements to each other and identifying possible clashes and/or mismatches present. These two worksheets were created to not only appraise the current situation but also to look at the oncoming strategic change the company is facing. In Table 4, presented below, we see how the elements are aligned together. The second table, Table 5, shows us how the elements are aligned when looked at through

the perspective of the current internationalization plans, which is the process of change the company is potentially facing.

Table 4. The Seven Elements Worksheet to evaluate current situation

	Skills	Staff	Style	Systems	Structure	Strategy
Shared Values	+	+	+	+	+	+
Strategy	+	+	+	+	+	
Structure	+	+	+	+		
Systems	+	+	+			
Style	+	+				
Staff	+					

Table 5. The Seven Elements Worksheet to evaluate current situation compared to internationalization plans

	Skills	Staff	Style	Systems	Structure	Strategy
Shared Values	+	+	+	+	+	+
Strategy	-	-	+	+	+	
Structure	+	+	+	+		
Systems	+	+	+			
Style	+	+				
Staff	-					

What we see from Table 4 is that there are no obvious discrepancies between different elements, which indicate that no specific or drastic steps need to be taken to improve the current performance of the company. This does not mean that there are no possible ways to improve. What it means is that the elements are working together, assisting operations instead of disrupting them. Table 5 shows some possible discrepancies where the planned future change might cause issues if not taken into account. A possible mismatch can be identified between the strategy, skill and staff elements. It can be concluded the alignment for current operations has been done properly, but a need to apply additional skill sets in the future might cause issues. The current staff might also be overextended as operations expand and the need to deal with additional partners/clients becomes evident. Therefore, human resources might become the object of concern when the company sets to tackle the challenges it is about to face.

4.2 Current Marketing Strategy

As an emerging product market the idea management field is far from static. This has lead Innovation Factory to adopt an ad-hoc and opportunistic marketing strategy. The goal is not only to obtain clients, but also to increase general awareness of the product, something that can be seen from the company's marketing plan. The strategy is evolving as the market develops, becoming more global and defined. The company has currently reached the stage where it has begun localizing its offerings through translations and local support. Success is measured through the signing of new clients as well as returning customers.

Innovation Factory applies a two-stage market segmentation strategy, looking at both the macro- and microenvironment of companies when considering targeting. Company size and location is used for the macro-segmentation of customers. The actual industry is not important. When it comes to micro-segmentation, important factors are the company's buying decision, purchasing strategy, company structure and structure of the decision making unit, the perceived importance of the product and the purchasing company's attitude. Innovation Factory considers macro-segmentation of potential customers to be generally important in the idea management industry because commitment of the customer is important for successful collective innovation.

The ideal customer for Innovation Factory is a large decentralized company with a local presence. Additionally, the company has an existing culture open towards innovation. In practice, this means that the company has an R&D department with an existing budget for innovation. The company understands the need for innovation and for them to commit to the process, meaning investing both man-hours and money.

Innovation Factory positions itself as a professional consulting company offering high quality services. This can be seen in the company's customer segmentation and pricing. Customers are expected to commit themselves to the process and price is not a selling point. Using Porter's generic strategies as a premise, the marketing strategy employed by the company can be described as differentiation strategy, meaning the company strives to compete successfully by differentiating its product from products offered by

competitors. The company wants its product to stand out through its superior characteristics and customizability.

In addition to a web and social media presence, Innovation Factory promotes itself and its innovation process at trade fairs and through workshops. The goal is to create awareness of the product and generate a network of potential clients. Knowing the right person in a company allows Innovation Factory to make its pitch inside the decision making structure of the target organization. The current short-term goal of the company is to create a credible customer portfolio by the time the product reaches mainstream adaptation.

4.3 Current Financial Situation

Innovation Factory finances its operations using a mix of both internal and external financing. It is currently lobbying for additional external finances to help speed up the expansion process. Like at most consulting companies, the major expenses for Innovation Factory are human resource costs, mainly wages.

Estimations done by internal experts put the company's market share at 5% of a 20million euro idea-management market. Like many start-ups, the company is currently in the red. The current operations are close to break even. According to internal estimations, the company is expecting to have its first profitable fiscal year this year (2012).

4.4 Product analysis of IdeaNet™

Employees, customers and other stakeholders are fountains of information, a resource possibly overlooked by companies and their innovation process. IdeaNet is a software tool designed by Innovation Factory to take advantage of this resource by setting up an idea management platform that supports collective innovation. In conjunction with consulting services it forms the product the company wishes to take abroad. In Innovation Factory's own words found on their website, it "is the essential software platform for many multinational organisations running Idea Challenges"(Innovation Fac-

tory 2011). In general terms it can be described as a discussion forum that has been designed specifically for idea management. This specialization manifests in features designed to support collective innovation. These features are reflected in choices made concerning internal communication-, customizability- and reporting tools inbuilt in the system.

To give the reader a view about IdeaNet, a descriptive product analysis was chosen for this thesis. The process was done in three parts:

1. Description: What does the product do, how does it work and what does it look like.
2. Sales Aspects: How is it sold, why it sells and who buys it.
3. Evaluation: Does it fit the purpose it is designed for and does it fit the customer needs.

Description

IdeaNet is a software tool designed to provide a platform that supports the collective innovation process within a company, ultimately increasing the clients affinity towards innovation and increasing organisational learning and memory. The software creates an environment which supports and challenges users to share information and ideas. The platform enables users to post ideas, actively share information, invite users to participate in discussions, post comments and evaluate other users ideas. In essence it captures, categorizes, enriches and rates ideas, allowing the best ideas to be found. Being able to actively invite users to discussions and share information allows users to proactively activate others and positively influence the amount of participation in discussions. This is one of the main features that make the platform collaborative and participatory. In addition to being a communication tool between users, the software also assists in analysing ideas, structuring discussion and visualizing the whole innovation process. IdeaNet can be used as a platform to allow constant communication or to run Idea Challenges (main focus of the product), projects that run for a certain period of time.

The program is visually and content wise customizable according to customer preferences. The client can choose what data will be shown, where on the screen and under which tab. The general outlook can be customized, for example to include company name and logo and comply with company colours and image. A visualization of the standard IdeaNet software application can be seen in Appendix 1. The main feature to be seen in the default version is a newsfeed, which shows recent posts by topic, a profile picture of the poster and the two latest comments to the topic. Other visible features are the navigation bar at the top of the page and “recent activities” section, listing recent events such as comments and changes in groups, to the right. Attention is paid to the availability of information; the information that is deemed relevant is visible or can be accessed easily. This information might include hot or new topics and discussions or the most used navigation tabs. For an example on how data visibility and general outlook can be customized, turn to Appendix 2.

IdeaNet is a web-based application that can be used from multiple platforms, basically anything that can connect to the Internet and open www-pages, including smart phones and tablets. The use of the application is password protected. It can be connected to the common social medias, like Face Book and LinkedIn. Additionally, in-built widgets can be used for improved information flow and usability. The main feature of posting and commenting is done through a forum-like interface, where users can start posts and comment on existing posts. To support this, users can contact each other by sending messages through IdeaNet itself or by using email. The users themselves are divided into five user roles:

- Administrator: perform the back-office functions like program settings and administering rights to front end administrators. Usually Innovation Factory employees working in collaboration with the client.
- Front end administrators: appoint users with appropriate user roles.
- Manager: responsible for creating challenges, groups and content.
- Coordinator: responsible of activating users and keeping the discussions alive by posting and distributing information and inviting fresh users to the discussion.
- Basic User: form the bulk of the users, they generate, enrich and evaluate ideas.

Users can have multiple roles. Additionally, users can be formed into groups to structure the communication, for example based on special knowledge, branch or department. In addition to structuring discussion through user groups, the software incorporates tools to assist in evaluating ideas and analysing the innovation process by creating visual aids of such as tables and graphs from the data available.

Marketing & Sales Aspects

Innovation Factory is not a software retailer. The company sells a unique idea management service that combines software with consulting to create the actual product marketed as idea management. IdeaNet is sold as a part of this service, a tool to run Idea Challenges. Currently Innovation Factory and two independent Italian consultancy companies offer this service. The standard package consists of a pilot Idea Challenge run using the software and supported by Innovation Factory's or the partner company's innovation consults. After a pilot challenge, additional Idea Challenges can be bought in a similar manner. If the client company is judged to have the necessary competences to run Idea Challenges without assistance, licence to the software can also be sold. In this case the company is free to run as many challenges as it wishes or use IdeaNet as a constant innovation environment. In both such cases, Innovation Factory provides technical support to the company. In addition to the company website the product is marketed on the grapevine; in seminars, fairs, through current and previous clients and workshops organized by Innovation Factory.

The target group of the Innovation Factory idea management service are large multinational companies. This is due to a few basic principles:

- Large companies often have R&D departments with budgets specifically for innovation processes.
- Running an Idea Challenge requires roughly 200 participants, creating a continuous collaborative innovation environment requires close to 1000 participants.

According to research, diversity powers innovation (Scott Page 2007). This also supports the choice of a target group that can offer a productive environment for innova-

tion. An example client list can be seen on the Innovation Factory homepage, the list includes companies such as Phillips, Heineken and Vodaphone.

The key selling points of the IdeaNet-service are that it:

1. Is designed specifically for idea management and running Idea Challenges
2. Includes change management consulting service
3. Is highly customizable
4. Has evaluation and visualization tools included

Evaluation

Results taken from completed Idea Challenges (Table 3) have shown, that the systematic approach to idea management offered by Innovation Factory offers concrete results, which in turn create value for the client. This can be identified from case studies done to analyse the results of particular challenges. The challenge run for UPC resulted in over 150 ideas, which in turn were evaluated and several ideas or combinations of ideas were judged to have realistic market potential (Innovation Factory 2011). The result of the challenge was deemed satisfactory and multiple ideas were implemented and can be found as products offered by the company.

To keep control over quality issues, Innovation Factory uses an in-house software developer team for IdeaNet. It works in close collaboration with the innovation consults, leading to efficient internal communication between departments. The wishes of customers can be swiftly delivered to the developers, leading to a combination of company push and customer pull in the agile development process of the product. This can also positively affect the lead-time of new implementations, though this is difficult to measure since lead times are heavily affected by their case-to-case complexity. All new implementations are heavily tested before a new version is launched. The company itself does this by running different types of simulations.

To ensure correct implementation, which is paramount to success, IdeaNet is not sold as a software product but used as a tool in the Idea Challenge service that comes with consulting and technical support. This approach is currently unique in the local market.

4.5 Strengths & Weaknesses

The proper alignment of the seven elements indicates a strong company and general strength. The elements also show unique aspects of the company that can be attributed towards its success. The main strengths that can be identified are:

- Agile development of IdeaNet; leading to quick response times and short lead times on feature implementations.
- The 7-S models shows commitment of staff combined with strong team-working capabilities create functional multidisciplinary and cross dimensional teams.
- Strong product with a proven track record as shown in Table 3.
- Flat hierarchy; allows fast decision-making, which allows swift reaction to change.

The main weaknesses that can be identified from the 7-S analysis are:

- Limited human resources if operations are expanded.

Limited skill sets; current skill sets only cover the development and support. There are no marketing and sales experts present.

5 External Environment Analysis

The external environment analysis will take a look at the general idea management industry in addition to the current market of Innovation Factory. The situation was analysed to derive possible external opportunities and threats the company might come across. The industry analysis will take a look at idea management in general while the market analysis will be limited to the current relevant product market in the Netherlands. The external analysis is finished with a market outlook and a snapshot of relevant software competitors. The results were used to provide insight into the feasibility of possible strategic choices and assist in deriving decision criteria needed in the partner selection process.

5.1 General Industry Analysis

In the current market, many experts claim that innovation is not an option. To stay ahead of the market it is something an organization should act upon. Innovation is the fuel for many growth strategies and it can come in many forms, from the creative solo inventor to large-scale innovation projects including thousands of participants. The birth of a single feasible idea often requires generating tens, hundreds or even thousands of ideas. This realization started the evolution of idea management, the process of adding structure to a creative innovation process in the form of idea and information management. There is a growing need for market feasible ideas at the right time.

The first form of idea management came in the form of suggestion boxes, which eventually evolved into digital drop boxes in the early 90's. The solutions were often ad-hoc, lacking important review and feedback functions. The next generation of idea management emerged in the late 90's when the need for collaboration and feedback was realized. Idea campaigns were becoming popular, with focus on cost reduction and process improvement. The current generation was born in 2006, focusing on generating revenue and emphasizing collaboration and the sharing of ideas. The process has taken a more proactive turn and campaigns are often lead by idea champions who work on activating participants. (Kalypso 2011.)

An analysis by Chuck Frey (2003) looked into the common denominators of idea management tools. Although these can be categorized as second-generation programs their similarities are still valid for third generation software. According to Mr. Frey, idea management software were systematically campaign focused, customizable, concentrating on collaborating and ideation process. InMagic (2011), an idea management software provider expands this by listing 8 important requirements in their recent marketing blog post. These features are:

1. Moderating and triaging capabilities.
2. A voting system.
3. Flexible commenting capability.
4. Advanced search capabilities.
5. Advanced moderating support.
6. User roles and groups.
7. Reporting function.
8. Integration with multiple systems.

Challenge-driven innovation can also be linked to three major advantages. These advantages, gained through controlled innovation, are focusing people's efforts and resource assignment while providing a ROI measurable result. It can also be concluded that this is something not gained in traditional "out-side-the-box" type of open innovation where the process is less than structured. (Frey 2011.)

An inherit issue within emerging technology markets is that while the products are sufficient to fulfil customer needs, the lack of user awareness acts as a natural hindrance against market growth and success. This adds emphasis to the general credibility of the players operating in the market. Additionally, increase of product awareness becomes relevant in helping the market grow and thus opening new opportunities within it. Additionally the software market, which is a high-technology market, is characterized by high market and technology uncertainty (Moriarty, Rowland & Kosnik 1989, 8).

5.1.1 Porter's Five Forces analysis

In addition to providing descriptive data to the reader of the industry, this tool was used to provide a qualitative evaluation on the company's strategic position. This provides a point of view that was used to help identify potential external threats and opportunities. It was not used in its traditional function for a direct analysis of the firm's specific strategic position.

Entry of New Competitors

Software supported idea management mixes software with traditional consulting services. The large number of operators, especially the number of small players, in both the consulting and software development industries indicates that these separate markets have low entry barriers. Due to its unique features combining these traditional fields, conclusions cannot be drawn from this directly; the field is too specialized for this and is currently a niche market in the total consulting market. The threat of entry was evaluated by looking into both the consulting and software development aspect of the industry and both were taken into account when conclusions were drawn. The software development side of the analysis will take a glance at the R&D, time and resource requirements of the software, the consulting side will look at demands linked to credibility and market reach while the final point of interest is the switching cost for customers.

The software development aspect time and money wise is something that a new company can easily tackle, economies of scale, for example, is not needed. The know-how on the other hand is something that requires experience in insight into the industry. This is also something that would hinder a new company from the consulting point of view; the market reach and credibility of the consulting company will be major selling points when trying to sell the service.

The threat of a new company entering the idea management market with their own software is low. Nevertheless, the threat of an existing major consultancy adopting idea management software and expanding their services to offer idea management is larger.

It can be concluded that all in all the threat of new entries is moderately low and it is concentrated in large existing consultancies with good market reach.

Substitute Products or Services

The boundaries of substitutes are somewhat vague. Idea management is a tool for the R&D department and everything that competes for that budget is a threat and generally has something to do with innovation. Additionally the field of idea management has substitutes to the software supported collective innovation offered by Innovation Factory and other similar companies. Examples of substitutes are mind-mapping, drop box and social networking software. Therefore, the amount of substitutes available is high and the offerings are broad. Nevertheless, switching costs between the available systems are high due to required integration of new systems and methods within the corporation. The larger the company, the more costly it is to switch between software and methods.

As a conclusion; though the switching costs are high and propensity to substitute low, the high availability of substitutes brings the threat of substitutes to a moderately high level.

Bargaining Power of Customers

Because the market is still emerging, the bargaining power of customers needs to be approached from two directions, customers that are looking for a collective innovation platform and customers who are not looking for it or perhaps are not even aware of what it means. These two types often behave differently due to, for example, budgeting decisions already made. Enlightened customers looking for idea management support can be described as insensitive to price, idea management or idea challenges are tools already budgeted to the R&D or marketing budget and selection is based more on mutual fit than the price of the product. On the other hand, customers with no budget allocation towards idea management are often price sensitive, finding stretching the budget difficult or impossible to accommodate an investment such as an idea challenge. As awareness and interest in the service grows, more and more customers gravitate towards the first group of customers. Both types usually still have a low depend-

ency towards existing suppliers, though the dependency can be expected to grow during time due to high switching costs.

Based on the above factors, bargaining power of the customer can be defined as balanced with the supplier. It often comes down to the situational fit of the product and the customer. Unique selling points are highlighted over price.

Bargaining Power of Suppliers

For this analysis Kraljic's purchasing model, described briefly in Appendix 3, was used.

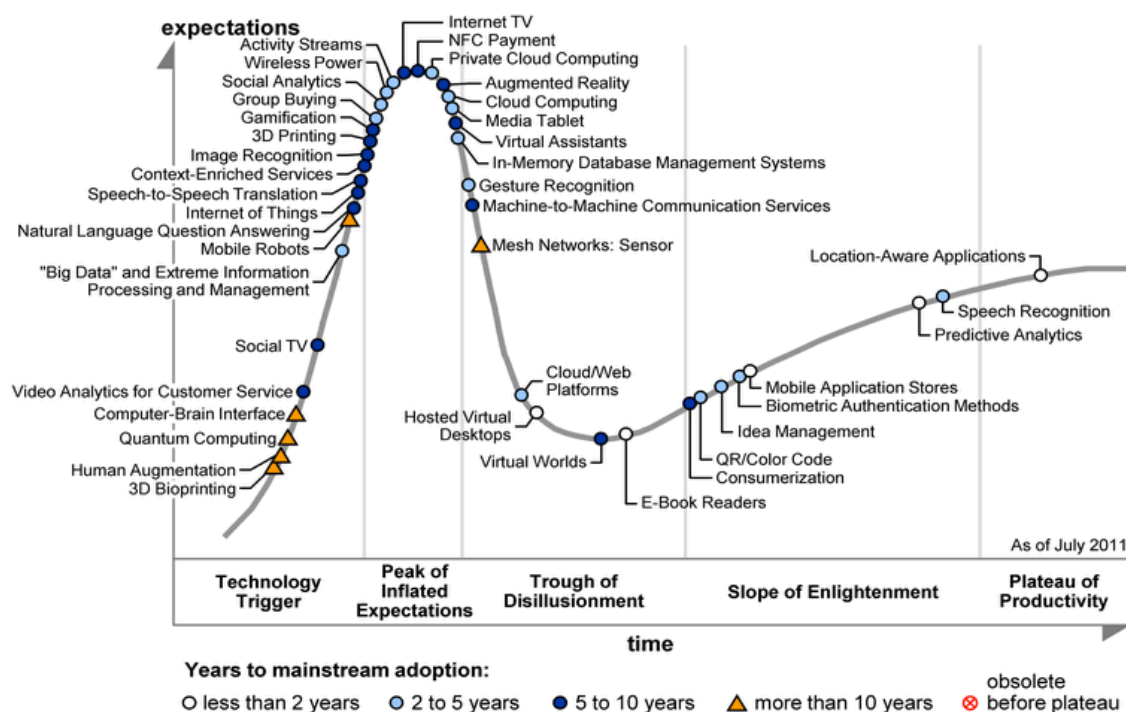
Procurement needs of a generic small-scale consultancy are limited mainly to office supplies and external hardware, for example server space. The procurement needs of the average company can be classified as non-critical items, having a low impact on profit and low supply risk. Multiple suppliers provide the items widely and the suppliers' market strength is low. Depending on the size of the consultancy the strength of the buyer can range from low to high, resulting in the buyer generally having the power and a wide variety of options to choose from in the situation.

As a conclusion, due to the limited supply needs of companies operating in the idea management market and the needs being focused on non-critical items, the power of suppliers is non-existent and can be rated as being low. Substitute suppliers are available and switching costs between these non-critical supplies are low.

Intensity of Competitive Rivalry

As an emerging product market, majority of the competition comes from substitutes. The competitive pressure is relatively low. From Innovation Factory's point of view, they compete over client projects against a short list of one or two other companies. Marketing is mostly passive, personal promotion and increasing visibility at trade fairs and workshops. There are global exceptions, self-proclaimed market leader Spigit (2011) has announced their total funding to have reached over 26 million dollars. Innovation Factory experts assume most of this funding is being used for marketing purposes. As can be seen from the Gartner (2011) Hype Cycle below the product is still in

its introduction phase of its lifecycle. This affects the market as companies are concentrating promotion to create awareness of the product and concentrating on their own unique selling points. A noteworthy opportunity is that Innovation Factory is the only company, *operating in the local market*, currently offering consulting in support of the software.



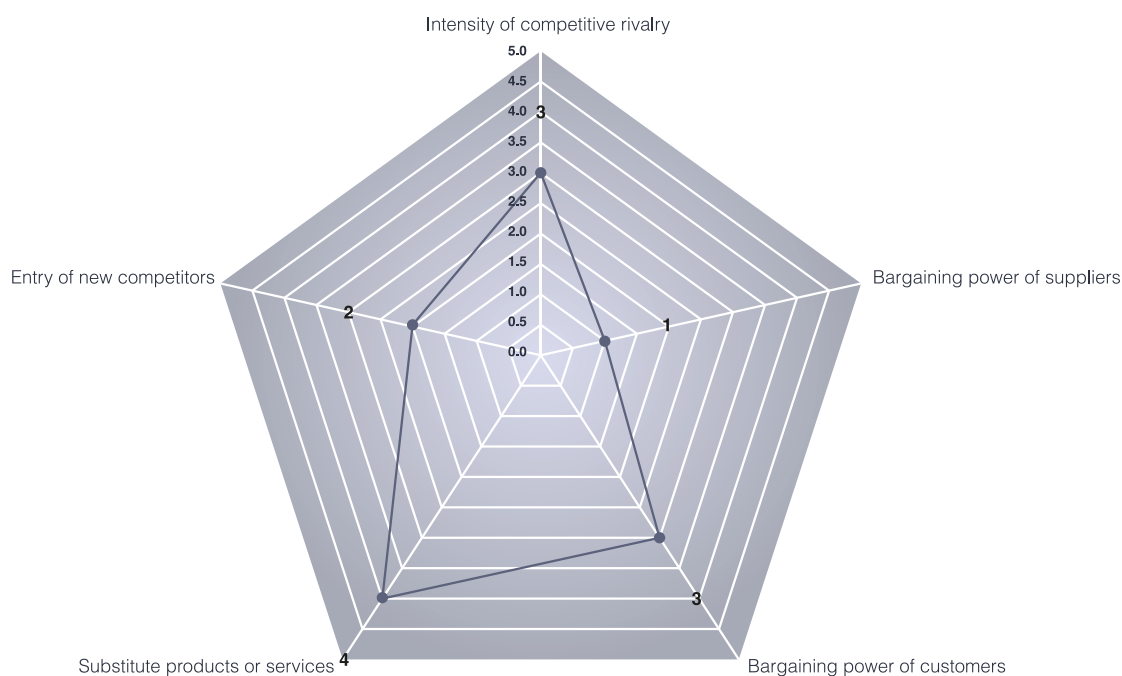
Picture 3. Gartner Hype Cycle for Emerging Technologies, 2011

The intensity of competitive rivalry is moderate. The amount of enlightened customers is currently limited, which forces some competition, but the amount of potential customers is extremely high. The situation can be expected to change after the product has reached mainstream adaptation and moves forward on the product life cycle. A probable result is the increase of enlightened customers combined with increasing competition for their attention.

Porter's Five Forces Conclusion

According to the Porter's Five Forces analysis, the idea management industry in the Netherlands is moderately attractive. Majority of the forces are moderate or moderately low. A visual graph presentation of the five forces can be seen below in Graph 1. Be-

cause of the immaturity of the market, changes are expected in the near future. For a new entry, the issue of software maturity and general credibility will be the major issues that need to be looked at. Due to the fact that these factors are easier to obtain and maintain by companies with a presence in the market, the industry can be seen as more accommodating towards existing players, even in its immature state. The general challenge the industry faces is competing with settled substitute products.



Graph 1. Porter's Five Forces graph

5.2 Market Analysis

The market for idea management tools is currently in development. With an estimated global market of only 20 million euro, it is in the process of emerging as a noteworthy niche market. As the concept has yet to reach mainstream adaptation, the existing research into the idea management market is still immature which makes producing hard financial data and market shares an impossible task. Therefore, the market analysis concentrates on the local market and qualitative data. This analysis was supplemented with quantitative data where possible. A market outlook chapter that attempts to forecast future development of the general product market complements this.

5.2.1 PEST-analysis

PEST-analysis is a tool to help structure an external analysis of the macro-environment of a company. The name is derived from environments that are studied; namely the political, economic, social and technological environments.

Political

The Netherlands is a constitutional monarchy that functions as a parliamentary democracy. The AMB (2011), an insurance service provider, rates the political situation in the Netherlands stable resulting in very low risk estimation. According to the Economist (2011), the Netherlands is the 10th most democratic country in the world. Additionally, the government and political system in general favours entrepreneurship and it is often described as extremely open and capitalist.

Civic law governs the Netherlands and the current trend is to ease bureaucracy that hinders entrepreneurship (Taking Up Residency 2011). Historically the antitrust laws have been lenient but they have recently been changed to follow EC standards (Europa 2011, 1), this increases transparency and streamlines operations with the rest of Europe and includes legal issues concerning other branches such as intellectual property.

Economic

The Netherlands has an open economy that relies heavily on international trade. The country has developed into a transportation hub, a gateway into Europe and boasts Europe's largest harbour in Rotterdam. The country courts large international businesses by offering low corporate tax rates that support innovation. According to research done by the International Monetary Fund (2011), the Netherlands boasts the 16th highest GDP and 9th highest per capita from a list of 183 countries. It has benefited from steady economic growth up to recent economic crisis.

AMB (2011) rates the inherent economic risk of the Netherlands very low. The Netherlands is in the process of recuperating from the global economic crisis that hit it relatively hard due to its reliance in global exports. The situation is showing signs of recovery in the form of GDP growth, though the tightening fiscal policy and current weak

global market are slowing the process. Additionally, the current issues with the Euro-currency are disturbing the general financial stability of the Euro-zone.

Social

Netherlands is commonly thought of as a liberal country. This conception is strengthened by its stand on many globally controversial issues like prostitution, soft drugs, euthanasia and same sex relationships. While the country harbours a relaxed and apparently tolerant social environment, it faces a common problem with many European countries; the workforce is retiring and resulting in a diminishing amount of taxpayers. The country continues to attract a steady flow of immigrants though and the foreign born population is estimated to be roughly 20-percent. This helps alleviate the issue and has resulted in a multinational environment, which is especially visible in the street view of the major cities. Additionally, a large part of the population is fluent with multiple languages with English being the predominant foreign language, something that international companies can use to their advantage.

The Netherlands is strong in the areas of education and entrepreneurial spirit. The population is 100% literate and enjoys an average of 17 years of education. Due to these matters education of its population is ranked 14th best in the world. The social and political environment has also created a healthy entrepreneurial spirit amongst the Dutch. The country's entrepreneurial and opportunity rank is 12th worldwide, this rank represents above average opportunities and acceptance of entrepreneurship. (Legatum Institute 2011.)

Technological

The Netherlands has a long history in technology and innovation. Companies such as Philips, TomTom and KLM are proof of this. The result is a country that benefits from modern use of technology, visible as a good communication network/infrastructure and resulting in, for example, high mobile phone ownership and Internet bandwidth availability (Legatum Institute 2011). The Netherlands also places well in international comparisons, holding 10th place in technology usage, 11th in networked readiness which ranks user and environment aptitude, additionally the country

belongs to the “first adopters”-group when it comes to new applications and innovation (Dutta & Mia 2011, 16, 45 & xix).

5.2.2 Market Outlook

Hard financial data concerning the idea management industry was not available. Large market research companies such as Forrester and Gartner were yet to research the market. This makes forecasting difficult, but not impossible. Current soft data and limited hard data were used to create a glimpse of the market outlook for the idea management industry.

Current idea management software reaches 2-5% of companies. The problem so far has been the customer’s lack of knowledge of the product. This has caused two problems; firstly, it has not been budgeted limiting the opportunities companies have to spend money on it. Secondly, most potential customers have very limited view on what the expected returns are. Although, current customers have reported estimated returns up to ten fold and have allocated money for idea management in their budgets. (Interview: Gerrits 3.1.12.)

With companies continuously publishing success stories as part of product marketing in the form of case analysis, customers are starting to become aware of the product and recognize its value. The published results seem to vary depending on the organization and challenge run, but idea management companies such as Spigit and Imaginetic report campaigns with thousands of implemented ideas, hundreds of thousands of dollars in savings and even an idea eventually spinning into a billion dollar business (Spigit 2011b, Johnson & Smith 2008, Imaginetic 2012). Prices can be expected to slowly rise due to money becoming more available through budgeting.

The trend of a steady growth in the customer base can be expected. Internal market size estimations put the combined potential market in EU and USA at 30.000 companies (large & multinational) with a monetary market size between a few hundred million and one billion euro. The actual market size is expected to grow from 20 million Euros to 300 million Euros by the year 2016. The effect the current global economic

crisis has on market development has not been assessed. While companies can be hesitant to make new investments, idea management can also be used as a cost savings function, something that can attract attention during a company downswing.

5.2.3 Market analysis conclusion

The Netherlands leans heavily towards capitalism and is noted for its stable economy, which is dependant on foreign trade. The liberal, multicultural and technologically modern environment can be seen as especially friendly towards international organizations. All in all, the country provides a welcoming environment for businesses with uncertainty stemming mainly from external issues, the global economic crisis and the current Euro crisis. Although external, these issues can affect the Netherlands more than average European countries.

5.3 Competitor Analysis

The competitive analysis describes some of the known software programs in the idea management market. The analysis is descriptive, thus focusing on provided features and was done to form a snapshot of the software side of the market. Because of the strict focus on software, the analysis should not be perceived as a full competitor analysis for the expanded idea management market. The idea management market is undefined and ill structured, lacking a clear list of players.

Competition Summary

The list below identifies and describes three different idea management tools competing over customers with Innovation Factory. The decision to include these companies was made based on their visibility in the perceived market from the point of view of Innovation Factory.



Name of Software	Developing Company	www – Address
CogniStreamer	Indie Collaboration	http://www.innovationportal.eu/

CogniStreamer is a product of Indie Collaboration that is part of the Indie Group, a European software company focused on communication and collaboration. The CongniStreamer Innovation Portal is a web2.0 solution produced in-house, consulting to support idea management is also offered as part of the service package. The software and process has evolved from previous generation idea management, CogniStreamer concentrates on idea management and selection over idea creation. This can materializes in high-class management reporting tools, visual reports and versatile statistics over end-phase user friendliness

Indie Collaboration has not published information about their pricing policies for CogniStreamer. Innovation Factory experts asses the price level being similar to that of Spigit, placing it in the lower spectrum of idea management pricing. The softwares unique strong point is its management reporting tools, which can be seen as being more advanced than what its competitors currently offer.



Name of Software	Developing Company	www – Address
Hype IMT	Hype	http://www.hypeinnovation.com/

Hype Innovations is a spin-off from the German company Daimler. Being one of the older companies, it has worked on idea management for over ten years. Hype utilizes older technology developed in-house, relying mostly on at-site installations when implementing their challenge based idea management. The software consists of multiple modules, thus increasing the customizability of the service; additionally, they offer services, including innovation consultation, in multiple languages (Hype 2011). Hype

concentrates on customizability in their software, offering a full package deal. Hype IMT leans more towards idea management and selection than idea creation.

Pricing of Hype IMT ranges from an annual fee of 45'000€ to 300'000€, depending on the amount of users, Hype also offers to sell on-premise licenses (Rozwell, Harris & Mesaglio 2010, 12). With a wide spread in pricing, Hype gravitates towards the more expensive end of the spectrum. The sales pitch of the software revolves around its customizability and the promise of full service in addition to the software.



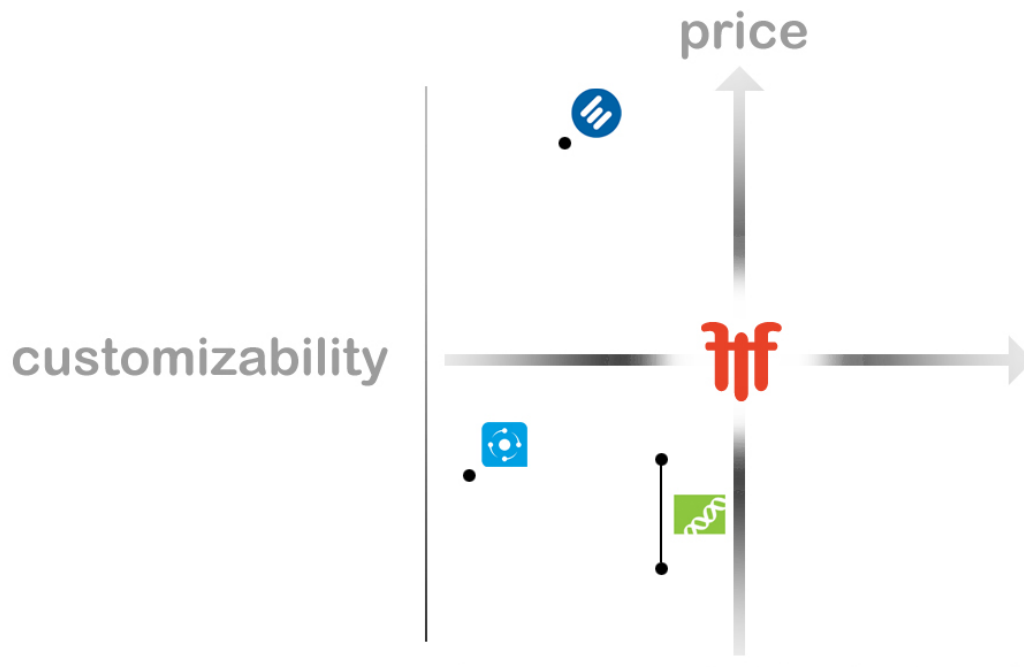
Name of Software	Developing Company	www – Address
Spigit	Spigit	http://www.spigit.com/

Spigit is a venture-backed enterprise, the self-proclaimed market leader of idea management software. The company concentrates on in-house software development and marketing, often utilizing third party consulting companies to provide support to customers. The software is a web2.0 application that supports idea generation, motivating end users through different activation programs, such as idea champions and the much-publicized utilization of game mechanics as part of idea management.

Spigit offers a combination of SaaS and on-premise installations with prices ranging from 52'000\$ to 320'000\$ (Rozwell et al. 2010, pp. 19). As well as being one of the more moderately priced solutions. The unique selling point of Spigit is the way they attempt to motivate users, they have turned the front end of innovation in to a game. Additionally, the company aggressively uses their external funding as a tool to increase their market share.

Competition Mapping

According to company experts, innovation software/products are often ranked according to its price to the customer and customizability. A visual representation of Innovation Factory's view on the current market can be seen below, showing that Innovation Factory sees Idea Net as a leader in customizability.



Graph 2. Perceptual Positioning of Competition

5.4 Opportunities & Threats

Opportunities:

- The Netherlands ability to attract international companies allows Innovation Factory to court them in its home market. (PEST-analysis)
- The price of the product in the market is not stabilised yet and Innovation Factory expects a rise when the product reaches mainstream adaptation. (Market outlook)
- Ability to capitalize on entry barriers of new players. (Porter's Five Forces)

Threats:

- Big consulting companies adapt to offer idea management using their existing market presence to compete.
- Another global economic crisis; the Netherlands is affected more due to its reliance on international trade. (PEST-analysis)
- The Euro-zone crisis might further destabilize the current financial situation, making external financing more difficult.

- Software supported idea management does not become a mainstream adaptation. (Gartner 2011, Picture 3)

Political tension causes large corporations to loose interest in the Netherlands. (PEST-analysis)

6 Strategic Analysis

The internal analysis was used to derive internal strengths and weaknesses of the company while the external analysis was used to identify potential external threats and opportunities. The analysis was done in two parts. First a traditional descriptive 2X2 SWOT matrix followed by an action-based 2X2 TOWS matrix based on the previously presented SWOT. The conclusion compares the found traits with the current strategic choices to see if they match or if there are discrepancies. This information is used to help determine the strategic fit and feasibility of the strategic alternatives concerning partnering.

6.1 SWOT-Matrix

Innovation Factory is a strong capable company; this results in it having more internal strengths than weaknesses. It is all about working together as a team to create a valuable product. Team-working capability can be seen as one of its key. This has lead to short lead times and a good ability to react to change. Potential weaknesses are tied to the small company size, which adds strain to the human resources and limits available skill sets.

Innovation Factory operates in a capitalistic environment that is accommodating to international businesses. Nevertheless, due to the current economic situation and the inherit uncertainty of an emerging product market the company faces more external threats than opportunities.

Table 6. SWOT-Matrix

Strengths	Weaknesses
S1: Strong team-working capabilities	W1: Limited human resources
S2: High commitment from staff	W2: Limited skill sets
S3: Strong innovative product	
S4: Good ability to react to change	
S5: Agile software development	
Opportunities	Threats
O1: Local market attracts international business	T1: Local market sensitive to global economy
O2: Product price expected to rise	T2: Big consulting companies adopt product
O3: Capitalize on high entry barriers	T3: Euro-crisis destabilizes financial market
	T4: Product does not reach mainstream adaptation
	T5: Political tension reduce international interest on local market

6.2 TOWS-Matrix

The 2X2 TOWS matrix consists of four sections. These are the Strength-Opportunity (SO), Strength-Threat (ST), Weakness-Opportunity (WO) and Weakness-Threat (WT) sections.

Table 7. TOWS Comparison Matrix

	O1	O2	O3		T1	T2	T3	T4	T5
S1	-	-	-	S1	-	-	-	-	-
S2	-	-	-	S2	X	-	X	-	-
S3	X	X	X	S3	X	X	X	X	X
S4	X	X	X	S4	X	X	X	X	X
S5	X	-	X	S5	-	X	-	X	-
	O1	O2	O3		T1	T2	T3	T4	T5
W1	X	-	-	W1	-	X	-	-	-
W2	X	-	-	W2	X	X	X	X	X

Table 8. TOWS-Matrix

	Opportunities O1: International Local Market O2: Positive Price Development O3: Entry Barriers	Threats T1: Local Market Sensitivity T2: Big Companies Adapt T3: Euro Crisis T4: No Mainstream Adaptation T5: Political Tension
Strengths S1: Team-Work S2: Commitment S3: Product S4: Reaction speed S5: Development Process	Obvious natural priorities	Potentially attractive options
Weaknesses W1: Limited Staff W2: Limited Skillsets	Easy to defend and counter	Potential high risk

SO: Expand customer portfolio through signing new selected clients.

ST: Concentrate on targeting international players.

WO: Continue using interns to gain flexibility and expand existing network.

WT: Use of outsourcing/freelancers to cover special or temporary needs that branch away from CSF skills.

7 Partner Selection Strategy

The partner selection strategy section starts with an empirical study in which additional data was obtained. The empirical study was necessary to gain deeper insight into the practical aspect of partnering, the process and criteria. This data is combined with existing information to derive needed decision criteria (7.2) for partnering to create an evaluation scheme (7.3) and present (7.4) and evaluate (7.5) the different strategic alternatives of Innovation Factory. This process answers research sub questions one to three respectively. Finally, the findings of this research are gathered and presented (7.6) and based on them, the researcher gives recommendations (7.7) to the company and thus presents the answer to the main research question.

7.1 Results of Empirical Study

Industry experts from the fields of software development and idea management were interviewed for this research. Additional insight was gained interviewing the innovation manager of a major Innovation Factory client.

The knowledge and experience of Innovation Factory consultants was also drawn upon. The relevant information gained through this empirical study can be divided into following general subjects:

- Selection and Evaluation Process
- Strategic Alternatives
- Selection Criteria
- Decision Criteria

Selection and Evaluation Process

The unifying key finding in the empirical study was, that the experts interviewed had a unanimous opinion that the relationship has the biggest impact on the success. This was strengthened by the opinion that soft criteria need to be included in the evaluation process. Although, it was mentioned that hard factors must be used to determine the

possibility and cannot be left out of the process. The emerged effects on the selection process are summarized below:

- Motivation needs to be looked at from the point of view of all participants, mutually beneficial venture required to establish a good foundation for trust.
- Due to soft criteria, the process always needs an “expert analysis” phase to evaluate qualitative partnership criteria.
- Evaluating a partnership always requires meeting between factions.
- Corporate culture affects the company’s process; rigid culture leads to a more rigid process.
- Due to importance of soft qualities, a pilot program is extremely important to uncover the potential of the emerging relationship.
- Difficulty to obtain data can be problematic.

Selection Criteria

As can be seen from above, the experts consider soft criteria crucial. As long as the operational criteria are filled, the relationship-related soft criteria are seen as the key for a successful relationship. It is pointed out, that relationships are always personal. Therefore, entering, maintaining and evaluating them are easier for smaller companies. According to the interviewed experts, the important task-related criteria and highly qualitative important soft partner-related criteria are:

- Task-related criteria
 - Branch of Consulting Given
 - Customer Portfolio
 - Company Size
 - Company Credibility
- Partner-related criteria
 - Level of Trust
 - Relationship
 - Synergy between companies and services

Strategic Alternatives & Decision Criteria

Due to the heavy presence of qualitative factors and supported by the literature review, Innovation Factory company consultants feel that expert analysis is the only way to approach partnering. The expert can be internal or external, leading to two potential alternatives, which are an external expert evaluation scheme and an internal evaluation scheme. The software industry expert interviewed supports this point of view, stating that the inclusion of an external expert can be needed when looking for deeper insight into a specific market abroad, especially since information can be extremely scarce. Expert in the field of idea management expands that local market knowledge is often needed and it is connected to local corporate culture. This makes existing networks and potential references a valuable resource to have, even though you need an external source to expand your company network.

When evaluating different strategic alternatives, Innovation Factory wishes to judge the feasibility based on two basic dimensions:

- Total Cost Involved
- Uncertainty Involved

7.2 Decision Criteria

Decision criteria are important factors that are used to evaluate the feasibility and strategic fit of the different strategic alternatives. Based on the data provided by the internal and external situation analysis, the two angles presented by Innovation Factory can be split into the following decision criteria:

- Cost Criteria
 - Financial Implications
 - Human Resource Requirements
- Uncertainty Criteria
 - Industry Requirements
 - Market Requirements
 - Level of Control

Financial Implications represent the financial costs of the alternative. It can take the form of additional costs, such as travelling, and shared or lost revenue. The financial implications of a partnership often become apparent only on the long run, but due to the difficulty of estimating them accurately, this research will only look at financial implications on a short-term basis. The attractiveness of the target market should also be assessed, as it ultimately has financial implications.

Human Resource Requirements represent the possible strain on human resources. It might be a need for specific skill-set or additional employees, something that can be identified as a potential problem based on the internal situation analysis.

Industry Requirements are specific needs linked to the current stage of the market. They need to be filled to enable the company to follow its chosen strategy and hold/reach its desired market position. They can be, for example emerging trends, the company's desire to maintain its thought leader status or credibility requirements set on a market leaders customer portfolio.

Market requirement-criteria are linked to possible uncertainty factors linked to specific geographical markets. These are issues that are case specific; representing specific needs set by the market in questions. Examples of such local issues are:

- Legislation
- Culture
- Connections
- Knowledge gathering

Level of Control-criteria evaluates the strategic alternative by assessing the amount of control Innovation Factory obtains or needs to give away in the alternative in questions. The control is associated to strategic decisions. Namely, when dealing with independent entities in a partnership, a certain level of control needs to be relinquished since others will make some of the strategic decisions affecting the company.

7.3 Strategic Alternatives

Primary research revealed two broad strategic alternatives on how to perform partner evaluation. These options were keeping the process internal or using an external expert to assist in evaluation. When evaluating alternatives from a strategic point of view, the option to keep doing what the company is currently already doing should also be looked into. Due to this, three strategic alternatives were chosen and will be described in more detail. These options are:

- “Do Nothing”
- “Internal Selection”-tool
- “Expert Evaluation”

“Do Nothing”

This option means that Innovation Factory buildings on its customer portfolio using its local market reach. Targeting interesting companies and instead of proactively looking for international partnerships takes a more opportunistic approach to it. Internationalization is limited to working with large international companies that might or might not take the product to branches abroad based on internal decisions. Therefore, it is important to note that the “Do Nothing”-alternative does not imply that the company stops working, but rather represents continuing with the current strategy instead of changing it. This means that the attitude towards partnering is opportunistic instead of proactive.

“Internal Selection”-tool

The internal selection-tool represents the option where the evaluation and selection process are done internally. The process is based on theory presented in the literature review combined with specific company needs identified in the empirical study.

According to literature reviewed, selection should be divided into two-parts. The division is between sorting- and ranking functions, each with their own criteria. Criteria can also be divided into two types, task- and partner related criteria.

- Sorting: Action of separating potential candidates into two; ones that are suitable and ones that are not. Sorting is often a non-compensatory action, meaning

that failure on any given selection criteria will force the company into the unsuited category. Due to this, task-related criteria are often used in conjunction with the sorting action.

- Ranking: Action of ranking suitable candidates. Ranking is almost exclusively a compensatory action and can use either weighted or un-weighted scores. Ranking is about utility, searching the best amongst the qualified. Due to the importance of soft criteria, ranking is often done using mainly partnering criteria.

This study identified 11 evaluation criteria that are divided between hard and soft in addition to task- and partner-related criteria. The task-related hard criteria are assigned a mechanical sorting role while the other types of criteria are used to fill a ranking function in the selection process. Because of the heavy reliance on soft criteria, expert (internal or external) involvement will be needed throughout the process in the form of judgement calls.

Table 9. Criteria Division Matrix

	Hard	Soft
Task related	Size Field Market reach	Synergy Credibility
Partnering related	Activity	Trust Willingness to: Communicate Commit money Commit time

“Expert Evaluation”

The “expert evaluation”-alternative represents the strategic option of using an external local market expert to assist in the partnering process. This alternative was derived from the primary research and internal analysis, which identified that:

- Available information is scarce and potentially difficult to come by
- Human resource are a limitation for Innovation Factory

For the sake of this research, a local market expert is defined as: Someone with existing contacts and knowledge on local legislation, relevant companies and trends.

The purpose of the expert is not to replace the internal selection-tool. Innovation Factory will need to take an active role in the process. The use of an expert solves the main issue of obtaining necessary data and contacts, enabling the better focusing of the evaluation functions designed for the internal selection-tool. Due to this, the use of experts in the evaluation process will affect the process as a whole. An expert is expected to add efficiency into the process. Market knowledge and contacts allow the targeting of more suitable companies from the beginning, resulting in a potentially friendlier shortlist lowering possible barriers during negotiation. Additionally, the process is expected to establish company credibility for Innovation Factory in a market it might not be previously known in.

7.4 Partner Selection Process

Literature identifies a general four-step process in partner evaluation and a more specific 11-step process in general partner management. When looked at from the perspective of Innovation Factory, they are combined in to a four-phase selection process:

- Preliminary Planning Phase:
 - Drafting Distributor Profile: Creating a benchmark that will be used to determine what is required of a suitable distributor. Hard task-related criteria will be used.
- 1st Phase:
 - Find Candidates.
 - Sorting: Mechanical non-compensatory sorting matching candidates to the distributor profile.
- 2nd Phase: Early Negotiation
 - First Contact.
 - Analysis of Potential Partner: Creation of the short-list. Compensatory ranking of candidates according to synergy between services, company credibility and activity in the market.
- 3rd Phase: Second Stage Negotiation
 - Scan Willingness.

- Analysis of Potential Partner: Evaluating, based on the on the process so far, the candidates willingness to communicate and commit time and money.
- Initial Contract.
- In-depth Training: Supporting action, transferring necessary knowledge to potential customer.
- 4th Phase: Final Evaluation
 - Pilot Case: A test run with the most promising candidate or candidates.
 - Final Evaluation: Determining the potential of the candidate by evaluation the emerging relationship based on soft partnering related criteria: Trust and willingness to communicate and commit time and money.
- Normal Operations
 - Control: Case specific evaluation of ongoing partnerships based on pre-determined goals for the specific partnership.

All three options, “Do Nothing”(O1), “Internal Selection”(O2) and “Expert Evaluation”(O3), follow the same partnering process. Due to the specific evaluation needs of partnering, the differences are subtle and linked to specific steps. We can see this below in the comparison matrix that shows the discrepancies and how they are limited to the 1st and 2nd partnering phases.

Table 10. Alternative Comparison Matrix

	O1	O2	O3
Preliminary	IF	IF	IF
1st Phase	1*	IF	2*
2nd Phase	IF	IF	3*
3rd Phase	IF	IF	IF
4th Phase	IF	IF	IF
Normal Operations	IF	IF	IF

1*: Candidates are pursued using an opportunistic strategy. There is no sorting since there is no extensive candidate list.

2* & 3*: External expert responsible of finding and identifying the best candidates. Introduction of a focused short-list will affect the whole process passively.

7.5 Evaluation of Strategic Alternatives

The purpose of this subchapter is to evaluate the strategic alternatives. The analysis was done using the decision criteria presented earlier. Each alternative was looked at separately. This was followed by a strategic analysis, comparing the alternatives to the current environmental situation of the company. Finally, to assist the forming of a conclusion, the data is presented in an evaluation matrix.

The “Do Nothing”-option represents an opportunistic attitude towards partnering, servicing current clients abroad using Innovation Factory employees. Potential partner candidates are found by chance. Based on the TOWS-analysis (Chapter 6.2), this option is too passive for an emerging product market. On the other hand, it allows Innovation Factory a high level of control over its intellectual property. All in all, this alternative represents a high level of general uncertainty. The financial implications are difficult to estimate, as is the market position that the company would hold in the near future.

The “Internal Selection” is financially a low cost solution. It requires no additional investment. On the other hand, the option is the most demanding when viewed from the point of view of human resource requirements. The proactive approach of this alternative has a positive affect on industry requirements such as credibility and retaining desired position in a fractured market.

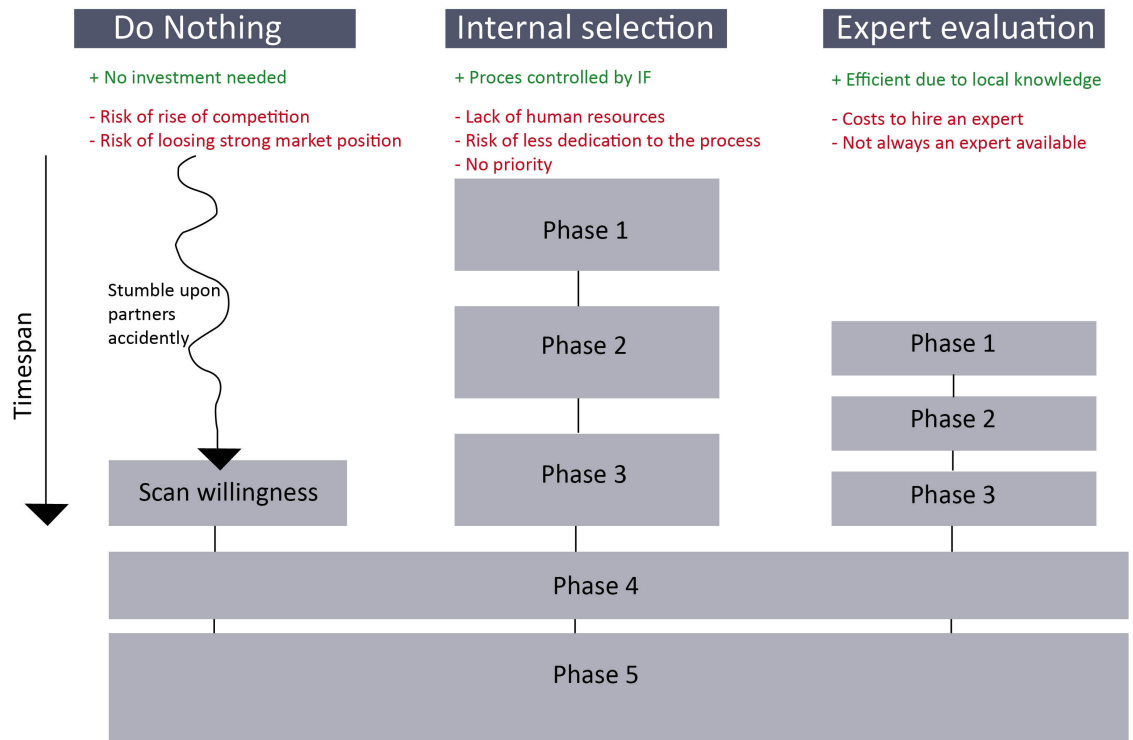
The “Expert Evaluation” is financially the most expensive option on the short run. On the other hand, the cost from human resources point of view is the lowest. Finding and sorting candidates can be a long process and the use of an expert frees up much needed human resources for other tasks in the company. The external expert is hired to assist in and take over part of the partner selection process. The knowledge and efficiency a specialist brings to the process is valuable, and therefore has a positive impact on the market and industry requirements. Nevertheless, there is an inherent downside of using external personnel. This is the loss of control, which has to be taken into account when looking at the feasibility of the option.

7.6 Conclusions

Innovation Factory operates in a fractured and emerging product market that is expected to reach mainstream adaptation shortly. According to Porter's Five Forces analysis (Graph 1) the industry can be seen as attractive for existing players. Difficulty of entry for new service providers and high switch costs for clients suggests actively working to increase market share while the market is still maturing. According to the internal environment analysis the company is well aligned to pursue its current differentiation strategy. The 7-S analysis (Table 4) shows that the different systems within the company are working together in unison. In the change towards the chosen internationalization strategy, the company can expect to face potential problems in the field of human resources, both due to limited staff and skill sets (Table 5).

The literature review makes a clear point dividing the evaluation process between sorting and ranking functions. After the initial use of hard criteria, soft criteria should be included into the evaluation process. This is supported by the primary research, where the interviewees unanimously mentioned the importance of soft criteria. The focus needs to be put on evaluating the relationship.

A model was composed to visually represent the strategic alternatives presented and the partner selection process. It can be seen below in Picture 4.



Picture 4. Innovation Factory Partner Selection Model

The TOWS-analysis (chapter 6.2) supports partnering, which in turn suggests choosing an alternative other than “Do Nothing”. Both, the external and the strategic analysis support taking active steps to increase market presence and obtain a strong client base. The internal analysis (Table 5) on the other hand shows that the companies potential weakness lies in its limited human resources. This leads to the conclusion that using external experts assistance in the process is the best strategic fit for Innovation Factory. This strategic alternative is also supported by the potential difficulties to obtain relevant information from different markets.

Table 11. Evaluation Matrix

	“Do Nothing”	“Internal Selection”	“Expert Evaluation”
Finance	*	+	-
Human Resources		-	+
Industry Requirements	-	+	+
Market Requirements			+
Level of Control	+		-
Strategic Fit	--	+	+++

7.7 Recommendations

According to literature reviewed and primary research performed, a successful partnership is linked to a mutually beneficial relationship. This should be taken into account in the selection process. A following approach on how to look at company needs during the process is recommended:

- Phase 1: All about Innovation Factory needs
- Phase 2: 80/20%
- Phase 3: 60/40%
- Phase 4: 50/50%

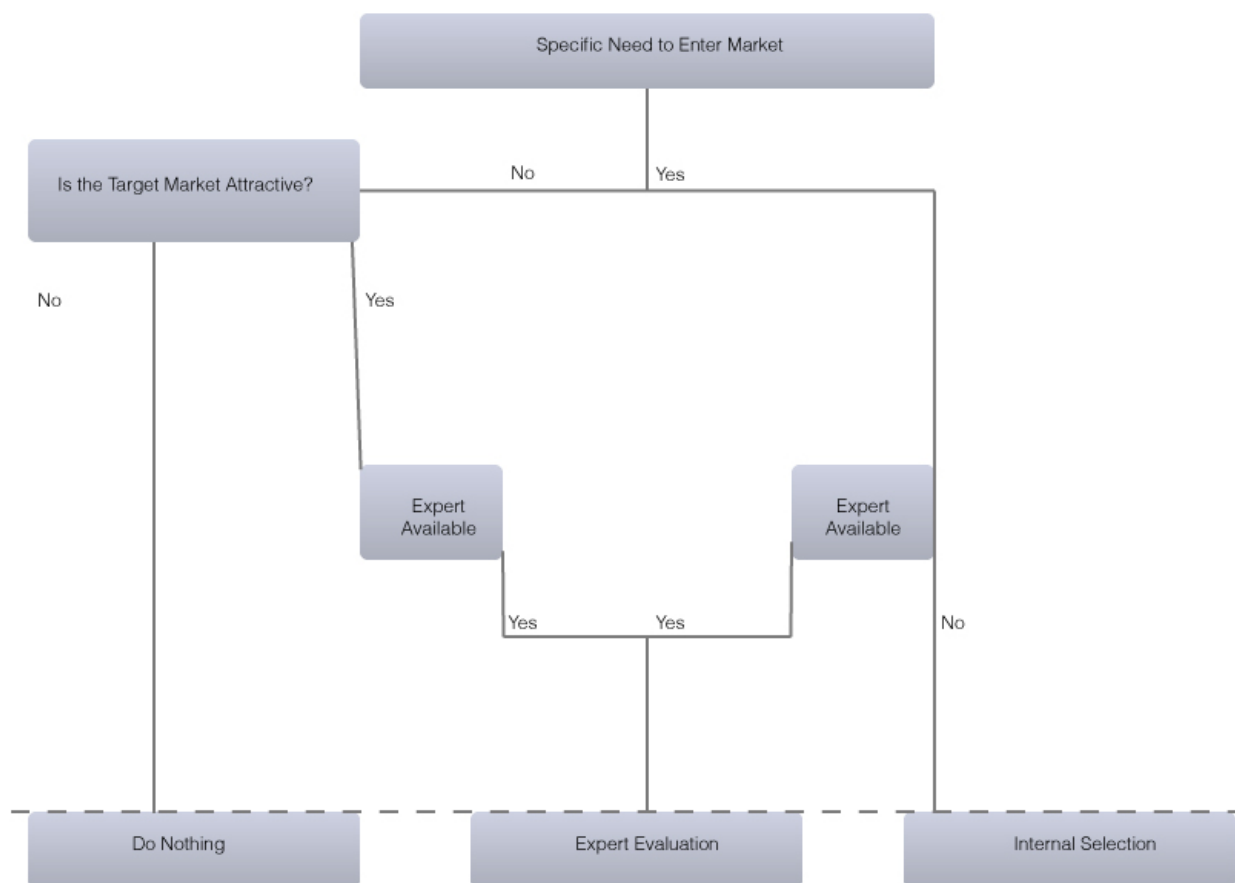
This means that in the initial process it is about the needs of Innovation Factory that need to be fulfilled but as the process continues, more attention should be paid to the candidate. The goal of the process is to reach a mutually beneficial relationship. It is recommended, that only one candidate at a time be taken as far as phase 4, resulting in one pilot project being run simultaneously.

Approaching attractive markets should start the partnering process. The attractiveness should be determined based on the presence of current Innovation Factory clients.

This is a selling point that can be used on potential candidates. It is easier for them to commit to the whole process if Innovation Factory has a solid potential buyer for the service. The Dutch government offers assistance in partner selection for small companies. These services can be used to gain local market knowledge and can be used to perform some tasks of an external expert, for a lower cost. An example of this type of

service can be found at hollandtrade.com/matchmaking. As the level of service and specialized market knowledge is uncertain, this should not be used to replace the “expert evaluation”-strategy but can be used as a tool for the “internal selection”-strategy.

The complexity of partner selection, as revealed by this research as a whole, leads to the conclusion that partner selection is not something that can be done as a mechanical process, but needs to be evaluated and re-evaluated on a case-to-case basis. This leads to the assumption that all the strategic alternatives are feasible in some scenario. This decision process, which takes into account the need to enter that specific market, market attractiveness and availability of expert, represents the answer to the main research question and is visualized in the flowchart below. Adapting this process has no direct impact on the current company structure and it supports the chosen internationalization strategy of Innovation Factory.



Picture 5. Strategy Selection Model

8 Conclusions on Research Process

The conclusions and recommendations chapter is the culmination of this report. It looks into if the research is able to answer the main research question (8.1). After that, the limitations of the research and recommendations for further research (8.2) is presented and discussed.

8.1 Conclusions

The goal of this project is to explore the strategic alternatives on how to go about partner selection as part of the company's internationalization process. This resulted in a literature- and empirical study on partner evaluation, -selection and the general partnering process. The theory was looked from the point of view of the company and the idea management industry. This resulted into evaluation of feasible partner evaluation strategies. Advice on the use of given strategies is included, these are the researchers recommendations to the company presented at the end of chapter seven.

The environmental analysis together with the literature- and primary study have given insight into matters concerning partnering, providing an answer on how Innovation Factory should approach partnering. All potential partnering strategies have their place in the process. In order to find the optimal alternative, the situation needs to be analysed on a case-to-case basis.

The importance and relevance of this research can be seen when looked at from the perspective of the company's chosen internationalization strategy. This report provides a starting point for different partnering processes, allowing Innovation Factory to prioritize the use of its valuable human resources. In this sense, Innovation Factory should be able to both, better approach partnering and identify strategic partnering opportunities. Therefore the research project is deemed successful.

8.2 Limitations & Recommendations for Further Research

A major limitation to this research was the difficulty of obtaining and lack of available hard data on the industry and market. This forced the researcher to extensively use internal estimations and hindering data triangulation when researching these subjects. This limitation also lead to the use of non-scientific articles, such as company websites and blogs. Data obtained through such sites was scrutinized carefully before used. Publications that seemed like image marketing were discarded. Company experts were requested to confirm the reliability of the data as well as give their own assessments of the market situation. This situation has been taken into account when giving recommendations in chapter seven.

Limitations set by the scope this research lead to some assumptions by the researcher. Therefore, it is recommend doing additional research into the effects that the use of external experts has on company credibility. More specifically: How does the credibility of the expert affect the image of the company it is freelancing for?

Literature and primary research point out the value of the relationship but support & control of said relationships is not looked at in depth. Based on the communicated value of a successful relationship, further research into how the partner management process should be continued after normal operations have been commenced is recommended. This would, from the researchers point of view, create a partner management process that encompasses partnering as a whole.

The empirical study represents the findings of observation, four scheduled interviews and opportunistic interviews. The qualitative information is valuable to provide insight into the phenomena but should not be generalized. The conclusions are based on the interpretation of the researcher.

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Interviews

3.1.12, Han Gerrits (Innovation Factory), Amsterdam

- 25.1.12, Hennie van Heukelum (PostNL), Amsterdam
- 2.2.12, Giorgio Lavelli (Innovation Factory, Italy), Milan
- 3.2.12, Henry Hemming (Hemming Consulting), Helsinki

Appendices

Appendix 1. Visual Outlook of IdeaNet

The screenshot displays the IdeaNet website interface. At the top, there is a navigation bar with 'Home', 'Challenges', and 'Groups' tabs, along with a search bar. Below the navigation, a 'Welcome to IdeaNet™!' banner features a photo of hands holding a globe and a text box with a 'Build your ideas together!' button. The main content area is titled 'Recent contributions' and lists several ideas:

- Bicycle Friday:** A challenge about making it the 'Bicycle Friday'. It includes a post by Martine Wijkers and a comment by Gert-Jan de Bie.
- Wooden Office Equipment:** A challenge about using wooden equipment like USB-sticks. It includes a post by Han Gierda and a comment by Jan-Martin Everts.
- Install energy saving light bulbs:** A challenge about lowering energy bills. It includes a post by Jeroen Heijmans and a comment by Jeroen Heijmans.
- Electric cars:** A challenge about introducing electric cars. It includes a post by Eelke Nieuwenboer and a comment by Han Gierda.
- Paperless Office:** A challenge about decreasing paper use. It includes a post by Bas van Schaap and a comment by Eelke Nieuwenboer.

Each idea entry shows the title, a brief description, the challenge name, and a list of comments with user avatars and names. A 'More' button is located at the bottom of the list.

Appendix 2. Customized Outlook of IdeaNet

Sustainable Office Environment

How can we make our office environment more sustainable? Please feel free to add your ideas, improvements, questions and enhancements, or vote for your favorite ones! Register for the RSS-Feed to be updated all the time and upload best practices with your smartphones whenever you see them!

[Share your idea for a sustainable office environment! >](#)

Language: English | 5 ideas posted

Recent contributions

Electro cars

We could introduce a company electric car as our transport means to go to clients. The Amsterdam city council funds a part of the price and they supply an electric charge point with a parking spot (which is worth quite a lot of money in Amsterdam)...

By [Jurien Hulman](#), about 1 month ago

[View idea and all activity \(5\)](#)

What about trying to loan one of the first air powered cars? They're going into production soon and I would be cool to have one of the first in NL...

By [Han Gerrits](#) (Idea Champion), about 1 month ago

I'm going to kill this idea. Because I'm like that (And because I've been waiting for my parking permit for over 5 years and now they are giving it away!)

By [Bogert van Kraaijen](#), about 1 month ago

[Enrich this idea...](#)

Bicycle Friday

We are already working on Fridays how about making it the "Bicycle Friday"? During our last Location-Workshop with an international client we noticed that the no.1 response to the question "How can you make your life more sustainable?".

By [Han Gerrits](#) (Idea Champion), about 1 month ago

[View idea and all activity \(10\)](#)

I like this idea. Unfortunately not many of us work on Friday. Maybe we should do it on Monday, so we can make a real contribution.

By [Han Gerrits](#) (Idea Champion), about 1 month ago

We could also encourage our clients to take the bicycle when they visit our office. For example by using the train and "OV-5es", while we can offer a safe parking spot in our building. It helps the environment, it demonstrates our sustainable ap...

By [Han Gerrits](#) (Idea Champion), about 1 month ago

[Enrich this idea...](#)

Wooden Office Equipment

Found a really nice web-shop which offers office equipment like USB-sticks or ergonomic tables made out of wood: you should get some of these!

By [Han Gerrits](#) (Idea Champion), about 1 month ago

[View idea and all activity \(3\)](#)

I agree with Han... When we actually need new equipment, then it is a good point to order sustainable stuff. However to change perfectly good equipment for sustainable ones is not sustainable.

By [Jan Martin Everts](#), about 1 month ago

Thank you for your contribution Han- we were discussing about a more environmental procurement in the "Top Label Procurement" idea. Just ordering new equipment is not necessarily the most sustainable way when your old devices are still working and...

By [Ruben Koster](#), about 1 month ago

[Enrich this idea...](#)

Install energy saving light bulbs

If we change all the old light bulbs for energy saving bulbs we'll lower our energy bill and also our carbon footprint. We could earn back the initial investment within two years (based on 8 hours of burning a day).

By [Jurien Hulman](#), about 1 month ago

[View idea and all activity \(5\)](#)

In Germany, the old fashioned light bulbs are not sold anymore. It's a matter of time before our government take actions, so in a couple of years every office has energy saving lights. What we need to do, is to implement sensors so the light will ...

By [Sjoerd Andrija](#), about 1 month ago

Well, the problem with LED is that the colour is not (yet) very warm. The biggest problem with LED light however, is the fact that it doesn't spread nicely: it is a very focussed light beam. So, until better LED lights are developed I suggest to ...

By [Jurien Hulman](#), about 1 month ago

[Enrich this idea...](#)

Paperless Office

How about decreasing our use of paper? There are already companies which grant you a discount if you agree on getting the bills/invoices in a digital format. Maybe we could do the same?

By [Bogert van Kraaijen](#), about 1 month ago

[View idea and all activity \(7\)](#)

Check the news >)

By [Ebbe Nieuweboer](#), about 1 month ago

There are an extensive solutions for paper which renders it unsustainable... There must be a sustainability break-even-point! Does anyone know what it is? At how many papers a day does an iPad become more sustainable?

By [Jan Martin Everts](#), about 1 month ago

[Enrich this idea...](#)

Sustainable Office Environment

Challenge Sustainable Office Environment has started.

About 1 month ago

[More](#)

WHAT CAN YOU DO HERE?

- Read the challenge description
- Submit your idea
- Enrich an idea
- View challenge statistics
- Configure this challenge

IDEAS PER LABEL

- Adverse effect (1)
- High Sustainability (3)
- Low Sustainability (1)
- Medium Sustainability (1)
- Sustainable 2 (2)

TOP CONTRIBUTORS

- [Jurien Hulman](#)
- [Jan Martin Everts](#)
- [Bogert van Kraaijen](#)
- [Sjoerd Andrija](#)
- [Ruben Koster](#)

MOST POPULAR

- Bicycle Friday
- Paperless Office
- Electric cars
- Install energy saving light bulbs
- Wooden Office Equipment

Powered by [Innovation Factory](#)

Appnedix 3. Kraljic's Purchasing Model

Kraljic's purchasing model was created in 1983 to assist managers in evaluating their purchasing needs based on impact on financial result and supply uncertainty. This approach led to the inception of four general product types:

- Strategic products
- Leverage products
- Bottleneck products
- Routine products

This division helps to logically group products and assess their financial impact and inherit risk involved. This method assists in choosing the correct purchasing strategy for each product, identifying potential problems and priorities. (ten Have S., ten Have W., Stevens F., van der Elst M. & Pol-Coyne F, 2003)

Appendix 4. Interview Transcripts

3.1.12, Han Gerrits, Amsterdam

- Do you know of previous research into the financial aspects of the current market and market outlook?
 - Major research companies such as Forrester and Gartner have not done research into the market yet. Although, it is expected that 2-5% of companies currently use idea management software and it is estimated to become mainstream within the coming years.
- What issues has the immaturity brought?
 - Currently companies are not aware of the product. It is not budgeted and the potential value is unclear.
- How are things expected to change, why?
 - With the product becoming more mainstream we expect companies to allocate funds to it in their budgets. Also, the potential value is becoming more apparent. Customers communicate returns of up to 10 times the initial investment and show willingness to pay increased prices due to good results.

25.1.12 Hennie van Heukelum (PostNL), Amsterdam

- Credibility
 - Company credibility is about having an established process that is proven to produce results. Additionally, in the idea management and innovation industry, the company needs to be able to show the drive, passion and corporate culture necessary.
- Process
 - Processes vary a lot and depend heavily on the corporate culture of the company. PostNL, being a old-school and large company, often has more rigid and structured processes than smaller and flatter companies. The process for selecting an idea management provider included mapping PostNL needs and sorting providers according to them.
- Criteria

- The selection criteria were based on: Ability to provide support (advice), potential relationship and software requirements. It is important to look at the specialized knowledge the potential candidate can bring to the table since software will become widely available in time. The passion and culture of the candidate are important. We need someone who is willing to embrace the challenge.
- Relationship
 - Ongoing relationships are evaluated. The criteria used are knowledge sharing and community building abilities and willingness. Additionally, results of relationship are evaluated based on preset goals. Plans on how to move forward with the relationship are also built. The process is based on internal expert evaluation.

2.2.12 Giorgio Lavelli (Innovation Factory, Italy), Milan

- Credibility
 - Credibility is based on history. Therefore, the best way to find out company credibility is to use existing network or crosscheck with candidate clients. Some of the factors are also market related. For example, in Italy it is important to check financial information of potential candidates. The problem is, that available data is scarce. Modern social network sites, such as LinkedIn can be used to fill this knowledge gap.
- Process
 - The selection process depends on corporate culture of the company. Hard factors are used in the beginning of the process and they work as the foundation. It is important to have a mutually working relationship. Therefore, a pilot project is important as it gives both parties the opportunity to work together and evaluate their position in the relationship. After a pilot, the potential of the partnership is clearer.
- Criteria
 - Except for the hard criteria used as a foundation the criteria consist mostly of soft issues, which can be seen as more important than money. Issues like synergy between companies and even “gut-feeling” matters

when building a relationship. Face to face meetings cannot be avoided. The expert analysis is the only feasible way. There is value in contribution, sharing information and commitment. These issues should be evaluated also.

- Relationship
 - Relationships are always personal and it should be evaluated on the feeling on the partnership. Trust and mutual benefits are the key issue to a successful partnership. It is important to keep in mind, that cultural differences are expected to arise. Building close relationships is also easier between small and medium sized companies.

3.2.12 Henry Hemming (Hemming Consulting), Helsinki

- Credibility
 - It is difficult but important to evaluate credibility. It is easiest when you have past dealings with the target. The other option is to know someone who has had dealings with them. Crosschecking old clients is one way. You want to determine if their method of working is functional.
- Process
 - You need to know what you want, and then you can work on selecting the best candidate and the best way to select them. It is difficult to estimate how long the process will take, since you do not know in advance what information you will have at hand to base your decisions on.
- Criteria
 - There is no universal answer to what criteria should be used. Like the process, they should be looked at from a case specific point of view. Of course everything starts from the needs of your company, but you should also take a look at the needs of the candidates. For a small software company, it is important to have connections.
- Relationship
 - Relationships are very important and should be evaluated. Also, the need for existing relationships should be evaluated. You don't want to be in

an obsolete relationship. To secure the commitment of your partner, you should aim for a mutually beneficial relationship.

Appendix 5. Strategies to Increase Credibility of a Quantitative Research

Strategies presented by Johnson (1997) to increase the credibility of quantitative researches.

- Researcher as “Detective”: A metaphor characterizing the qualitative researcher as he or she searches for evidence about causes and effects. The researcher develops an understanding of the data through careful consideration of potential causes and effects and by systematically eliminating "rival" explanations or hypotheses until the final "case" is made "beyond a reasonable doubt." The "detective" can utilize any of the strategies listed here.
- Extended fieldwork: When possible, qualitative researchers should collect data in the field over an extended period of time.
- Low interference descriptors: The use of description phrased very close to the participants' accounts and researchers' field notes. Verbatim (i.e., direct quotation) is a commonly used type of low inference descriptor.
- Triangulation: "Cross-checking" information and conclusions through the use of multiple procedures or sources. When the different procedures or sources are in agreement you have "corroboration."
 - Data: The use of multiple data sources to help understand a phenomenon.
 - Methods: The use of multiple research methods to study a phenomenon.
 - Investigator: The use of multiple investigators (i.e., multiple researchers) in collecting and interpreting the data.
 - Theory: The use of multiple theories and perspectives to help interpret and explain the data.
- Participant feedback: The feedback and discussion of the researcher's interpretations and conclusions with the actual participants and other members of the participant community for verification and insight.
- Peer review: Discussion of the researcher's interpretations and conclusions with other people. This includes discussion with a "disinterested peer" (e.g., with another researcher not directly involved). This peer should be sceptical and play

the "devil's advocate," challenging the researcher to provide solid evidence for any interpretations or conclusions.

- Negative case sampling: Locating and examining cases that disconfirm the researcher's expectations and tentative explanation.
- Reflexivity: This involves self-awareness and "critical self-reflection" by the researcher on his or her potential biases and predispositions as these may affect the research process and conclusions.
- Pattern matching: Predicting a series of results that form a "pattern" and then determining the degree to which the actual results fit the predicted pattern.