INTERNATIONAL CO-OPERATION AND VALUE CREATION,

Experiences from the boardroom in optimizing international co-operation strategies

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1. **Introduction**

Many companies have grown rapidly in recent years, yet failed to capture the expected benefits of co-operation based growth. The study identifies three phases in managing international co-operation: strategy, implementation and optimization. So far, strategy and implementation have gotten ample attention. This study focuses mainly on the optimization phase. The purpose of this study is to identify issues in as well as a model for managing and optimizing international co-operation. This paper synthesizes good practices for managing and optimizing interorganizational collaborative partnerships in order to help managers to create more value with partnership strategies.

2. Challenges for Executives of International Corporations

Today's corporate environment can be described as very volatile and continuously challenging [1]. In order to outperform the market a company needs amongst others excellent leadership [2]. These leaders are facing several dilemmas in their strategy definition and implementation. Most companies can no longer survive without close co-operation with their clients, suppliers and in some cases with their competitors. Permeable boundaries of companies have led to organizations, which are characterized as "a combination of external circumstances and internal dynamics" [3]. Sometimes these are called extended organizations or networks. In this paper we will use the term extended company to reflect this type of organization.

Customers and their requirements are changing dramatically; from a relatively loose relationship in the eighties and nineties to a sometimes tight but often short customer – supplier relationship today. Customers demand more from their supplier relation in a more cost effective and flexible setting. The growing number of partnerships (in/outsourcing, client partnerships etc.) also requires a different way of working.

Success in the booming years of the late 20th century turns out to be not very helpful for many board members, and is sometimes more of a hindrance in 'tuning' companies to changed circumstances. Executives of international companies are struggling with challenges like: How to get our company in a new growth cycle? How to create leadership of and stimulating professional management? How to effectively realize internal and external co-operation? And, how to implement a customer driven business model? Boards of international companies must deal with these issues if they want to be successful in implementing more effective business models, which are market-driven and are capable of more cooperative ways of working. In the following section a model for managing international co-operation is provided, which they can use in their struggle to continuously renew the company together with other partners.

3. M&A Revisited: a Model for Managing International Co-operation

Before describing the model for managing international co-operation, we want to explain why this model has been developed. During the height of the mergers & acquisitions boom, many boards faced the challenge to grow faster than their competitors. Companies that were cautious in their M&A strategy were considered slow, not attractive or old fashioned by shareholders and many other stakeholders. At the same time, there was already significant evidence that objectives of mergers and acquisitions were often not realized. Academic research into the success and failure of M&A has been available since the late sixties of the 20th century. As Haspeslagh & Jemison [4], Sirower [5], Grubb & Lamb [6] and Bouwman et al. [7] have shown, this research was done in various ways. The outcomes made it very clear that success in M&A was certainly not a given, but in fact highly uncertain.

Most companies can no longer survive without close co-operation with their clients, suppliers and in some cases with their competitors

Professionalization of M&A

Academic research has according to Bower [8] claimed to be one of the sources of improvement; although he doubts whether academics really made an impact with their often very theoretical research and statistical financial analyses. Boards of international companies could be warned by these statistics, but these data did not provide a more effective way forward. There were academics, which combined their practical (consulting) experience with their academic research to address the issue of how to improve the success rate of mergers and acquisitions. Haspeslagh & Jemison [9] pointed out that a strategy (or first) phase should be followed by a deal making phase and an integration phase. Others have followed and confirmed the need for a professional approach in managing M&A [10, 11, 12, 13 & 14]. Some of the larger companies, which had enough negative experience with M&A wanted to improve their success rate. Companies like General Electric [15], BP and Cisco have put a lot of effort into improving their track record in managing M&A.

From Managing M&A to Managing Co-operation

Managing M&A has often been related to deals, where share ownership changes [16]. Yet, nowadays, the term M&A is often used in a much more broader sense to include all kinds of co-operation between firms and sometimes has become interchangeable with partnership. Co-operation has a significant impact on the performance of a company, as was seen in recent years with regard to mergers and acquisitions, but the same is true of other forms of co-operation [17, 18, 19, 20 & 21]. In our international consulting practice we do not see many differences between 'traditional' M&A and other forms of co-operation. This 'discovery' was already made in the late seventies [22 & 23], but it has taken until the early 21st century before the impact of this perspective has been recognized.

In our view, the broader use of M&A reflects a paradigm shift from value creation via a change of ownership strategy to value creation via various forms of co-operation strategy, which needs to be managed in a professional way and which requires consistency in the business model between external and internal forms of co-operation [24].

This paradigm shift will help to better understand the complexity of co-operation and it will also help boards to manage it more professionally. It also underlines the need to look at co-operation from an integral customer-driven perspective. Therefore, only that forms of co-operation, which help companies to create more value for their clients and which increase their competitive position, should be used.

Managing International Co-operation: a Model

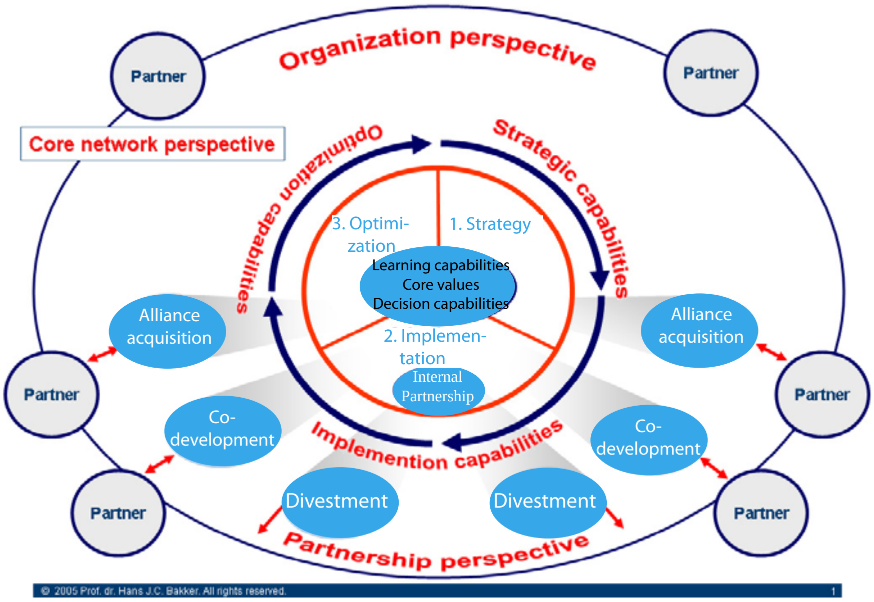
Managing international co-operation is a form of corporate renewal, whereby a company and its partners strive to jointly realize (part of) their objectives and change themselves accordingly in order to create more value for their customers. Based on literature [e.g. 25, 26, 27 & 28] and our international experience, we have developed a model to create a better understanding of managing international co-operation professionally (see figure-1).

The model consists of the following four components:

Multiple Perspectives

Managing co-operation means recognizing that multiple perspectives on co-operation

Figure-1: A Model for Managing International Co-operation



exist; the model uses three. One perspective is that of a form of co-operation, e.g. an acquisition (partnership perspective). A second perspective is that of the (extended) company, which has a portfolio of forms of co-operation (organization perspective). The third one is that of the key network to which a company belongs (core network perspective).

Five Capabilities

Professional management of co-operation requires certain capabilities; our model recognizes five capabilities. Some are more phase related like: strategic, implementation and optimization capabilities. Others are used in all phases like: learning capabilities and decision-making capabilities.

Core Values

A third component of our model consists of the core values, which are used by the entities involved. As has been pointed out by many authors like Lewis [29] and Rigsbee [30] trust, reciprocity and mutual respect are indispensable for effective international co-operation management.

Three Phases

Each of these three phases will be described briefly.

Phase-1: Strategy

If co-operation is to be successful, it needs to be driven by a clear strategy. Because co-operation always regards two or more partners, alignment of strategic intent is one of the most important elements of co-operation. Partners should (must) agree on what they are trying to achieve together if they want to make their international co-operation successful. Without this strategic fit, the odds will be negative for the partners. The result of this phase is a transparent strategic intent.

Phase-2: Implementation

The second phase in our model is focused on the initial or basic implementation of the strategic decisions, made in phase-1. This concerns the development and realization of acquisitions, alliances, co-development but it can also imply the divestment of non-core activities. This phase has got much attention in the past [e.g. 31, 32]. The result of this phase is the basic implementation of the strategic intent.

Phase-3: Optimization

In our international consulting practice, we come across the fact that in many cases the original intended benefits of alliances, mergers and acquisitions are not fully realized. Research confirms this experience, which shows that two out three companies after twelve to eighteen months optimize an acquisition, alliance or merger [e.g. 33]. Therefore, a third phase has been defined, which focuses on realizing the full benefits of an alliance, merger or acquisition, once the basic implementation is in place. Changes in international markets often play a role in the assessment of the need to either revise co-operation targets and/or look for new or more effective implementation (=optimization) approaches. One of the recurring elements in taking more time to realize benefits regards the human factor in these processes and its impact on international co-operation processes, both in cultural terms and psychological terms, as De Geus [34] has shown.

A challenge for the board is to combine all elements of the 'extended' company into an effective and efficient working whole. This need has been recognized some time ago by several executives, but seems only quite recently to be taken seriously. Companies, which did a lot of acquisitions and/or set-up many alliances in the late nineties, without really integrating these forms of co-operation, are struggling today to ensure that at least some synergies are realized. In the optimization phase a lot of effort is therefore focused on ensuring that the extended company can operate as 'one organization' taking into account market and internal dynamics. The result of this phase should be the realization of the original benefits or adjusted co-operation targets for a merger, acquisition or alliance as part of an effective configuration. This phase is followed by a new strategy phase with which the cycle of renewal starts all over again.

The outcomes made it very clear that success in M&A was certainly not a given, but in fact highly uncertain

4. Research Approach

The model provided in section two describes how to manage international co-operation. But what is happening at executive level in international business practice, especially with regard to optimization of international co-operation? Not much has been published yet on optimization, neither in the context of a specific partnership nor in the context of the whole of today's network or extended companies. The failure of many forms of co-operation indicates that actionable knowledge field is needed to understand the complexities of co-operation and manage the optimization.

An exploratory research project was set up to gather and describe management practices of executives dealing with optimization of international co-operation, using the developed model as a guide for data collection, focusing mainly on phase three - optimization.

The objective of this research project was: to gather knowledge, which can be used by executive board members and other top managers, who need to optimize international co-operation.

Research Format

Executives and managers, dealing with co-operation on a regular basis need accessible actionable knowledge, which can be used in their complex day-to-day activities. They need to be able to understand the complexities of managing optimization of international co-operation and need to learn how to guide these processes. This research project therefore focused mainly on gathering practical experiences and knowledge from international corporate executives dealing with optimization of corporation.

Because we are exploring a "new" field in co-operation, explorative research was most suited. Knowledge of optimizing co-operation by executive boards is tacit and therefore often hard to extract. Most of the relevant information is of personal nature; perceptions, analyses and decisions at board level are to a large extent determined by personal characteristics of the executives involved. Furthermore, most of the relevant information remains within the board due to confidentiality. To realize the research objectives confidential in-depth interviews were used.

The interviews were mostly held around a specific alliance, merger or acquisition case. The following topics were addressed in these interviews: strategic intent; co-operation benefits; implementation; optimization: triggers, analysis, decision-making, implementation; and lessons learned.

Company and Interviewee Selection

Companies were selected, after which for each company an appropriate interviewee was chosen. From summer 2003 to fall 2004 a series of 14 interviews have been executed.

The selection of the companies was based on the following criteria. First, the company had to be involved in several forms of cross-border co-operation like mergers, acquisitions (sometimes preceded by an alliance) or joint ventures. Second, the company had to be multinational in market presence as well as in operation. A third criterion was to have different industries represented e.g. electronics, industry, but also food and services. The last criterion was that the companies involved should have a or the headquarter(s) in a country of Europe. In the table below (table 1) the companies that co-operated with our study can be found.

Table-1: Company Selection

Sector	Company
Finance	ABN AMRO, ABP
Food	Nutreco, Perfetti- van Melle, Unilever
Manufacturing	Philips Medical Systems, DSM
Services	Getronics, TPG, Vodafone
Energy & natural resources	BP, Vopak, RWE

After selecting the companies, the appropriate persons to be interviewed were chosen. First criterion was that the interviewee should be a CEO or a senior board member. This was needed to ensure that the person interviewed had the capability to set-up a business strategy or optimization measures and the ability to make a decision on these. Furthermore, the interviewee should also be personally involved in the co-operation strategy definition process and its implementation via major deals. He or she should also have dealt in the last couple of years with the issue how to make a 'grown' company really work. Finally the interviewee should have been involved in the first two phases of co-operation transactions. Almost all executives we approached were very willing to co-operate. In some cases, the responsible CEO or board member had left the company already, but in none of these cases problems arose in getting co-operation from these interviewees. Interviews were executed under confidentiality and often in a private setting.

Results

Some of the results of our research will be described in section four and five of this paper. We will describe current practices in optimizing co-operation in section four of this paper using our model. In section five we will make the knowledge actionable by providing some good practices.

Because of its explorative character, the study can only provide initial understanding of how executives deal with the issue of optimizing co-operation. All interviewees stated clearly that they thought that optimizing co-operation should get top priority on the board's agenda because of its impact on current and future business performance.

5. Optimizing international co-operation in practice: a diverse landscape

The economic climate of the last few years as well as the growing understanding of the importance of optimizing international co-operation for corporate renewal has forced top executives of many companies to rethink their strategies and look for new options to remain or become competitive again.

Of the companies interviewed, most had deployed an international co-operation-based strategy; some of them had done this a long time ago and had developed a portfolio of various forms of co-operation. Several executives explained that this strategy was also needed because of the changed policy of potential partners and/or their governments, who did not allow full acquisitions anymore, but only wanted to set-up 50-50 joint ventures. This meant a significant change from an acquisition with full control to a more co-operation-based way of working. Most executives pointed out that a move like this has serious impact on the ability of their company to be successful and create value through co-operation.

Managing International Co-operation: Some Practices

The model described in section two has several characteristics. These will be used to describe whether interviewees recognize these in their day-to-day management of international co-operation. In the second part of this section, we focus on optimization activities.

Multiple Perspectives

A number of interviewed executives was very aware of different perspectives in co-operation and used these in their management of co-operation; not only did they recognize these in the strategy development process but they also took these into account in their optimization activities. Others more or less stated that their board had not fully recognized these perspectives and had not taken these into account, which led to a number of avoidable problems and debates with their partners. They also stated that many misunderstandings and a lack of trust could be linked to not recognizing various perspectives on co-operation.

All interviewees stated clearly that they thought that optimizing co-operation should get top priority on the board's agenda because of its impact on current and future business performance

Five Capabilities

The need for strategic and implementation capabilities was easily recognized by the interviewed executives, which was not always the case with optimization capabilities. Some companies were well aware of the latter capabilities and they also underlined the necessity of developing and using learning capabilities. The views on the need for specific decision-making capabilities varied from company to company and seemed to depend on the level of formality of the decision-making process.

Core Values

Every executive interviewed mentioned the importance of core values for co-operation in an international context. But the way they dealt with these varied significantly. Some companies went through a very thorough process of development and assimilation of the core values. Other companies hardly seemed to pay more than lip service to their core values in optimizing international co-operation, although the interviewed board members underlined verbally the importance of culture and core values for co-operation.

Three Phases

Most interviewees used the three phases. Although they sometimes named it differently, all companies turned out to be active in optimizing co-operation. Each company performed improvement activities in order to optimize business performance after basic implementation of a joint venture, alliance or acquisition had taken place. Some called this optimization, whereas others called this 'back to business'; with this they indicated that basic integration was over. Those companies that explicitly recognized the optimization phase stated that the realization of international co-operation objectives would always require multiple steps. To illustrate that, executives from these companies would point to differences in perspectives, region and culture, reflected in different ways of working, which cannot be 'replaced' by one way of working in a relatively short period of time of one year. Executives and other managers spent a lot of time to ensure that companies, that were now part of the extended international company were learning together how to improve their joint performance by cooperating more effectively with clients and suppliers as well as internally.

Steps in Optimization of International Co-operation

Optimization of international co-operation turns out to be a complex process, which can take on many forms. Based on the analysis of our data, we have identified four steps, which are separate steps in some cases, while in others some of these are combined. Each of the four steps – trigger, analysis, decision-making and implementation – will be briefly outlined in the following paragraphs.

Every executive interviewed mentioned the importance of core values for co-operation in an international context

Recognizing Early Warning Signals: Triggers

In the study we have tried to establish what brought about optimization activities – in other words: why was optimization started? Only a few companies pro-actively planned a systematic optimization process. More often board members started up optimization activities, because of external and/or internal triggers. In several cases underperformance triggered optimization activities. This decreasing performance was partly due to the negative contribution of co-operation efforts, i.e. these companies were incurring the cost but not the planned benefits. These situations often required a lot of management attention and led to serious debates in the board. Analysts and shareholders' comments helped to put optimization on the agenda. Usually they were asking for an improvement in performance. In other cases, complaints from key clients about services or products and their prices triggered the board into action. Globalizing clients and their changing needs for global service did not accept large differences in either price, service level or product quality across various geographic regions. Industry consolidation helped to focus attention on these issues, and corporations could not afford to lose growing clients.

Another important trigger was formed by comments or complaints to board members from their informal internal network. It seemed that especially those colleagues who had a warm personal relation with a board member, played a key role in triggering action from board members.

Interpreting Signals: Analysis

A variety of triggers could cause that one or more board members became aware of issues that had arisen in either internal or external co-operation or both. Some executives were following up early warning signals, while others on the same board did not 'recognize' these warning signals and ignored them. This does align with earlier research from Weick & Sutcliffe [35], Dranikoff et al [36] and Fuld [37], which shows that a pattern of late reaction to early warning signals of top management can be seen. This seems to be caused by the tendency of managers/executives to look for confirming signals and disregard those signals that contradict their expectations. In several cases we found that, although in an early stage, a board member pointed out to his colleagues how serious the situation was according to him, his colleagues blamed him for being too negative and 'forced' him to ignore these signals.

In other cases the board of a company picked up the signals and performed an analysis. This analysis often turned out to be rather informal. Personal evaluations were discussed and only sometimes these were turned into a more systematic assessment of co-operation and the issues that had arisen.

In several cases we found that, although in an early stage, a board member pointed out to his colleagues how serious the situation was according to him, his colleagues blamed him for being too negative and 'forced' him to ignore these signals.

Choosing Actions: Decision-making

It is easy to understand that the results of these often informal analyses determine to a large extent the measures or actions, which were deemed necessary for the optimization of co-operation. The decision-making process had in many cases the same informal character as the recognition of co-operation issues (triggers) and analysis discussed before.

A factor that influenced decision-making with regard to the optimization of co-operation is the source of the trigger. When external partners like clients complained and asked for improvements, decision-making seemed to be more explicit and more focused than in situations, where individual board members tried to arrange actions themselves without going through the process of a formal board meeting and a formal presentation of a proposal for optimization actions.

Corporate governance issues were also seen to influence decision-making. The relationship between executive and non-executive directors seemed to influence both the analysis and decision-making process. It does not become clear from the study so far, when non-executives are brought into the optimization process - this varied from company to company.

Realizing Actions: Implementation

Finally, after the decisions have been taken, implementation can take on many forms. It is considered out of scope for this paper to describe the various forms. All interviewed top executives recognized optimization issues as critical for their company and, one way or the other, had done something about it. Some had already organized their company in such a way, that early warning signals about international co-operation could be picked up by the board, and had implemented a rather explicit process for dealing with these signals. In these companies, it was easy to follow how the signals were analyzed, what actions were defined, agreed upon and by whom and how these were implemented.

But in most companies, this process had a much more informal character and seemed to depend more on the personal qualities and position of the board member(s) involved. This led to quite a lot of differences in handling the optimization of international co-operation. Differences between companies are substantial and justify a further enquiry into practices. Some of these will be discussed in the next section of this paper.

6. **Leadership of international co-operation optimization: seven practices**

The results of our research show that some companies have already developed 'best practices' for their boards and managers to deal more effectively with optimizing international co-operation in their extended organizations. Before we will describe seven of the identified practices, we want to point out two important observations in order to better understand these practices.

Optimization Starts at the Beginning

The first observation regards the focus of our study, which has been the optimization of the management of international co-operation. Our study shows that actions from executives to optimize international co-operation are significantly influenced by the process and results of earlier phases. In the strategy and the integration phases the stage is set for co-operation and if in these phases critical mistakes are made, optimization can be severely hindered or even become almost impossible; i.e. when unfeasible synergy targets have been defined. Especially in the earlier stages of cross-border co-operation, misunderstandings can hinder an effective start of working together, which can have a long-term impact because for example relations have been damaged during negotiations.

Board or CEO?

The second observation regards the role of the board and its members. The dominant role of the CEO is recognized in determining strategic issues like co-operation and must not be underestimated. Our research showed the importance of the contribution of all board members in optimizing international co-operation. The need to align the executive board regarding the way to optimize international co-operation is perceived as very important by most interviewees. Furthermore, the role of non-executive directors in this respect cannot be underestimated – both in a positive and in a negative way. This means that non-executive directors can stimulate optimizing co-operation and by doing so, help the executive directors to make the necessary moves. Interviewees also indicated that in some cases the non-executives were more of a hindrance in the optimization process. This was caused among others by their lack of recognition of early warning signals in co-operation management and by their approval of unfeasible co-operation deals.

Overview of Good Practices

Based on our research, we will briefly discuss seven good practices for the leadership of international companies, which want to optimize international co-operation with partners and in their extended organization. Many interviewees consider these practices as the way of 'doing it right'.

1. Client-driven Co-operation

Many interviewees stated the need for a sound business case to set up a partnership or other form of co-operation. They added that the extended company must keep track of the developments in their clients' needs in order to be able to anticipate changes and to adjust their portfolio of co-operation accordingly. Many issues in international co-operation are caused by a lack of timely recognition of changing client needs. Recent success in co-operation makes some companies less alert to what their clients are requiring [38, 39].

A number of the interviewed corporations have now implemented a process for systematic gathering of data on the needs of their clients. These needs not only relate to the products or services provided, but also regard service levels, pricing, branding, image etc. Many of the interviewed executives underlined the importance of their personal contact with customers, which ensured that they themselves knew what was happening with key customers and they demonstrated in their behavior that clients are key for the renewal of the company.

2. Management Alignment

Successful international co-operation depends, according to a number of interviewees, to a large extent on the willingness and the ability to work together towards the realization of common goals, based on a shared set of core co-operation-based values. These interviewees see it as one of the key tasks of the board to align executives and managers around such a set of core values.

One company put in place a very thorough process in which the board designed the core values together including recently joined new board members from an important acquisition. After this was done, all top managers of divisions and their managers participated in a weeklong process, in which they discussed the meaning and impact of the defined core values for their divisional activities. This alignment not only helped to clarify the core values, but it also ensured that managers knew how to translate them in day-to-day work in their own part of the international extended organization.

The next step in optimizing international co-operation according this practice is to translate the common values into a common way of working, or "this is how we co-operate". The practical impact is clear because this kind of standardization saves costs, but it also makes exchange of expertise possible. Furthermore, this common way of working was seen to stimulate the feeling of belonging to one organization, whatever the background of the people involved.

In the strategy and the integration phases the stage is set for co-operation and if in these phases critical mistakes are made, optimization can be severely hindered or even become almost impossible

3. International Co-operation Leadership Selection and Development

The leadership issue needs to be addressed at the time of deal making, but it keeps coming back in the following years. Since markets and clients will change, the extended company has to change as well. According to some interviewees this might mean that a new leadership is needed; i.e. not all dealmakers are effective integrators and optimizers. One thing became clear from the research: a mistake in the area of appointing the co-operation leadership has dramatic impact on the success of co-operation. The soft side of co-operation - mutual understanding, trust and respect - is linked to the behavior of the leaders of the co-operation.

A number of interviewees have stressed certain personality traits of the required leaders. One of the most important characteristics is the willingness of these people to keep developing themselves – always willing to learn and always willing to listen and look for improvements of the existing situation, based on respect and trust. This has been underlined because of the changing circumstances both outside (in the markets), but also inside the extended corporation. Dedicated development in managing international co-operation is seen by many interviewees as an important pre-requisite to be successful in co-operation.

4. Monitoring International Co-operation

In order to effectively monitor international co-operation, a dedicated co-operation monitoring process and co-operation monitoring tools need to be designed and implemented according to several interviewees. Some board members stated that it was difficult for their board to accept signals of (severe) problems in international co-operation, because this was perceived as an indication of their own failure. But as some of them had experienced, ignoring these signals only meant that problems would become bigger after a while, which made it even more difficult to deal with them.

Many interviewees agreed that indicators for international co-operation results are needed; it should be kept in mind that these should be both operational as well as financial. On top of that, indicators for measuring progress of the co-operation process were deemed necessary, because very often problems arose in the soft side of co-operation. In other words: in the relations between partners and their representatives. Another category to monitor is the inputs for international co-operation. The business case that was made at the beginning should not only have specified the planned results, but also the required investments. Interviewees pointed out that in their experience often much more input was required, without this being properly recognized. This will in an optimization process lead to inadequate assessments and actions.

5. Business and Co-operation Strategy Update

For those deals that were done in the late 20th century events like 11 September were of course not taken into account as well as the economic downturn and SARS to mention only a few developments. Most interviewees indicated that they were feeling the impact of the downward trend in the global and regional economies. Furthermore and often related to the economic trends, customers changed their needs – one of which was a significant pressure to lower prices of services and products. All interviewed companies stated that this had significant impact on their organization and has led to discussion on their business and co-operation strategy. Those companies that are listed are nowadays facing rather changed regulations from authorities like the SEC and changed regulations in corporate governance.

Most companies have changed significantly in the last five years due to new international acquisitions or alliances and/or divestments of significant parts of the business. The growth of the last five years has led for many of the involved companies to dramatic internal changes, e.g. geographic spread has increased significantly and/or their supplier network has undergone rather big changes due to new alliances. Most of the companies now have a portfolio of partly independent businesses, which has its impact on business performance. This also led to a review of the business and co-operation strategy and many boards now seem to be trying to move towards one extended company.

6. Business Model Update to Align With International Co-operation

A careful analysis of the existing business model in relation to the updated co-operation strategy will show key areas for intervention. The results of monitoring co-operation will also help to identify areas for improvement. Due to the growing influence of the customer, most organizations tried to make their business model more customer-driven, and therefore more co-operation-based.

One key element of this practice regards the internal consistency of the business model. In the words of some interviewees: the need to align all elements of a business model, including the external and internal co-operation components in such a way that a consistent model can be deployed. This often implies a new way of working, because of the growing interdependence both externally and internally.

A careful analysis of the existing business model in relation to the updated co-operation strategy will show key areas for intervention

7. Leadership of the International Co-operation Optimization & Learning processes

Many of the interviewed board members stated the need for board members to act as executive sponsor and facilitator of the optimization of international co-operation. Creating one integrated enterprise instead of a portfolio of independent businesses is the main challenge for many of the interviewed board members nowadays. Linking effective external co-operation with internal co-operation is crucial in their view and needs to be designed and implemented across the entire geographically spread extended enterprise. This framework for the optimization of international co-operation is therefore a top priority on the agenda of many boards.

Planning and monitoring is according to many interviewees definitely required. Because the environment in which the extended enterprise acts as well as the configuration of the enterprise itself changes over time, learning processes need to be put in place. Only by doing this can the partners in international co-operation ensure that they learn with and from each other and by doing so rebuild and/or maintain their resilience.

Top management needs to guide this process and demonstrate in their behavior that they believe in optimizing international co-operation and support it wholeheartedly because mistakes in this discovery process are unavoidable. Trust and the option to make mistakes need to be part of the business model as well as professional planning and control, if this practice is to be successfully applied.

7. Conclusion

In many boardrooms executives discuss how to optimize international co-operation in order to ensure further growth and performance improvement of their extended enterprise. Based on a model for managing co-operation, this study has looked into these discussions. It has presented some insights in how executive directors nowadays deal with the optimization of international co-operation. Seven practices for optimizing international co-operation have been described, based on the input of experienced executive directors of international companies across various industries. This knowledge – model, current practices and good practices – should help executives and managers to deal more effectively with managing and optimizing co-operation.

About the authors and the research

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The Next Leap A book under the title of 'The Next Leap, Achieving growth through international networks, partnerships and co-operation' has been published in October 2004 (London, Cyan Books, ISBN 1-904879-13-6), in which a more extended version of the research is presented.

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