Nordstrom - The North Face

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Introduction

Background Information

Various forms of inter-organizational relationships characterize the current business environment. These relationships are both vertical and horizontal in nature. They also traverse organizational, industry, and national boundaries, thus making them a complex network. There are two main dimensions of inter-organizational relationships (Kazmi, 2008), viz. interactive and non-interactive relationships. The objective of interactive relationships is to share resources or information while non-interactive relationships aim at attaining strategic positioning, status, and public identity coupled with developing cognitive structures and benefit from core technology. Inter-organizational relationships contribute towards organizational innovation and enhancement. Nurturing effective inter-organizational relationships also increases the likelihood of employees being productive. The relationships provide employees with an opportunity to share current professional practices with employees in other related fields.

Considering the dynamic nature of organizational environments, inter-organizational relationships [hereafter referred to as IORs] are increasingly ranking among the most potent factors of building value within an organization (Ranaei, Zareei, & Alikhani, 2010, p. 20). IORs play a critical role in creating capacities required by organizations in order to remain competitive. As a result, firms' management teams are integrating IORs in their corporate management strategies. The high rate of transformation experienced currently within the business environment requires organizations to have sufficient knowledge with regard to managing IORs (Ranaei, Zareei & Alikhani, 2010, p. 20). Organizations can adopt various forms of inter-organizational relationships in their operation, which include strategic partnerships, entering into long-term contracts, mergers and acquisitions, and joint ventures. It is paramount for firms to nurture a strong organizational culture to ensure competitiveness. Additionally, incorporation of effective information technology, innovation, and good decision-making are also vital elements in the success of an organization. In a bid to develop a better understanding of the outlined issues, this paper conducts a comprehensive research with specific reference to *The North Face.*

Inter-Organizational Relationships [IORs] with specific reference to *The North Face*

The North Face [TNF] is a retail firm that works as a branch of VF Outdoor Incorporation. The firm came into existence in 1968 and its headquarters are found in San Leandro, California. The firm sells different products to snow sport athletes, mountaineers, climbers, and endurance athletes. The firm designs and manufactures different skiing and backpacking equipments. In a bid to be in a better place in the market, TNF went for the concept of "store within a store". Its dedication to expand has forced the firm into establishing more than 100 Summit Shops in US retail industry. Trying to achieve its profit maximization objective, the firm has incorporated the concept of going international in its strategic management processes. This move has largely enabled the company to attain a good market position within the global retail industry. The firm possesses more than 3,500 retail outlets.

Strategic partnership

Strategic partnerships involve formal agreements between two or more parties that aim at sharing resources, skills, and finance. The objective of strategic partnerships is to achieve a common goal (PriceWaterhouseCoopers, 2009, p. 1). The success of strategic partnerships is greatly dependent on the effectiveness with which the relationship between the parties develops. According to Wallace (2004, p. 47), developing strategic partnership is a complex process. As a result, enormous resource wastage, with regard to time and money, is associated with unsuccessful partnerships. In addition to resource wastage, failure of strategic partnerships can adversely affect the reputation of the firms involved in the partnership. Therefore, it is critical for firms to consider incorporating effective strategic partnership principles.

Steward (1999, p.36) asserts that successful strategic partnership must be based on well-defined principles and philosophies. There are four main principles that strategic partnership parties must take into account, viz. fairness, wealth creation, mutuality, and trust. The principle of trust postulates that strategic partnership parties must depict a high degree of integrity and fidelity. In an attempt to develop trust, the parties to the strategic partnership must engage themselves in a trust building process. Fairness entails integrating a high degree of honesty amongst the parties involved. Success of strategic partnership greatly depends on the extent to which the parties involved perceive the relationship to be fair or just. The principle of mutuality asserts that the parties to the partnership must share benefits and costs equitably. By integrating the concept of mutuality, it becomes very easy for IORs to succeed in periods of vicissitudes. On the other hand, wealth creation is concerned with increasing value of the inputs invested (Steward, 1999, p. 37).

In its operation, TNF has entered into a number of strategic partnerships. As a profit making entity, TNF appreciates the importance of operating in a sustainable manner. As a result, the firm has collaborated with other environmental conscious firms. The objective of these partnerships is to attain a high level of sustainability and nurture strong brand equity in its operation. Examples of such firms include BICEPS [Business for Innovative Climate & Energy Policy], 350.org, Bonneville Environmental Foundation, and Innovative Solutions. TNF recognizes the fact that its future success will be influenced by the status of the global climate. As footwear and apparel company, TNF recognizes the high rate at which the environment is being destroyed. Consequently, the firm intends to influence formulation and implementation of climate change policies positively. This resolution has motivated the firm to conclude a contract with BICEPS. The firm has also collaborated with other climate change allies. The objective of these partnerships is to curb the high rate at which climate change is occurring and enhance effective and efficient energy use (Business Wire, 2009).

Additionally, to limit the occurrence of climate change, TNF has partnered with 350.org. The objective of this organization is to sensitize other companies to ensure that they do not emit carbon dioxide into the atmosphere. Carbon emission ranks are the leading reasons for the high rate of climate change being experienced in contemporary times (Business Wire, 2009). TNF is committed to efficient operating. One of the aspects that the firm focuses on is energy consumption, and to achieve this aspect, the firm continuously explores creative and innovative energy reduction solutions. In 2008, TNF entered into strategic partnership negotiations with Innovative Solutions Company, the leading solar energy solution firm in the world. The partnership aimed at constructing a solar electricity plant at one of the TNF's distribution centers situated in Visalia, California. The project is fully financed and owned by Recurrent Energy. Under the Power Purchase Agreement entered, Recurrent Energy is required to sell 100% of the energy generated to TNF. Additionally, in October 21, 2011, TNF announced its intention to enter into a strategic partnership with Adventure Consultants Company, which is ranked as the global leader with regard to mountain guiding (Adventure Consultants, 2011). The strategic partnership will significantly improve TNF's sales because the strategic partnership agreement identified TNF as the sole supplier of Adventure Consultants' staff and guides with the necessary outdoor accessories, apparels and equipments.

A number of benefits are associated with strategic partnerships. Collaborating with the right party can result in an increment in an organization's sales level and hence its profitability. The partnership between TNF and Adventure Consultants will benefit the two firms in a number of ways. For example, Adventure Consultants will benefit through an improvement in its market position. On the other hand, TNF will benefit through an improvement in the reputation of its products. Using TNF's products is a strong market communication to potential clients regarding the quality of its products (Adventure Consultants, 2011). According to Steward (1999, p.42), strategic partnerships enable organizations to deal with innovation gaps. Innovation is one of the most effective ways through which an organization can attain competitive advantage in the 21st century. Some organizations are increasingly recognizing that their innovative capability does not only reside within their value, but also within the interface of other firms. This realization has greatly motivated firms to venture into strategic alliances in an effort to exploit new innovative possibilities.

Strategic partnership culminates in effective exploitation of the presented synergies. Additionally, the parties involved share each other's resources thus improving their performance. The strategic partnership between the two firms will result in Adventure Consultants integrated in TNF's product planning and designing processes. The strategic partnership will culminate in the TNF's products remaining as the most innovative and authentic. Both firms will gain great benefits due to their strategic partnership.

Joint ventures

The American Bar Association (2006) defines a joint venture to include various collaborative undertakings between entities, which are formed with the objective of attaining a common objective. According to Harrison and John (2010, p.122), joint ventures are formed with the objective of sharing resources. Joint ventures provide firms with an opportunity to access a large resource base. These resources include technology, marketing, managerial expertise, and raw materials. There are different forms of joint ventures that organizations can venture. Some of these include fully integrated, marketing, research and development, network, and production joint ventures.

Fully integrated joint ventures are formed by integrating the entire parties' line of business such as marketing, manufacturing, production, and distribution. This form of joint venture is very much alike to merger. Network joint venture occurs between primary competitors. The joint venture agreement allows the involved parties to ascertain transactions such as information, physical traffic, and electronic impulses (American Bar Association, 2006). One of the major drawbacks of network joint venture is that the parties involved may engage in anticompetitive behavior, thus affecting the competitiveness of the other party.

Production joint venture is an association between two or more firms aimed at manufacturing a particular product. In this type of joint venture, the parties involved may incorporate new manufacturing technologies or integrate their respective complementary technologies and skills. Such a joint venture enables the firms to develop a more improved product with a high level of efficiency. One of the benefits of production joint venture is that it contributes to attainment of a high level of economies of scale. On the other hand, marketing joint venture is formed with the objective of ensuring that the firms' products effectively penetrate the market. This form of joint venture is advantageous for it leads to reduction in marketing cost. In case of new products, marketing joint venture is very important in ensuring that the products are successfully introduced in the market. The joint venture can also enable the parties involved to share a common market niche, for example, certain geographical area (American Bar Association, 2006).

In a bid to be effective and efficient in its marketing processes in the UK, TNF entered into a joint venture agreement with Cotswold Outdoor, Leeds, an outdoor apparels and equipments retailing company. The joint venture aimed at ensuring that a large number of customers access TNF's products. Cotswold Outdoor stocks a wide variety of TNF's products, such as apparels, footwear, and other climbing equipments in more than 60 outlets in the UK. Since it was established in 1974, Cotswold Outdoor has managed to develop sufficient marketing capability and knowledge, which has ensured an increment in the popularity of TNF's products. According to Harrison and John (2010, p.122), such a joint venture enables organizations to attain sales growth and hence increase their profitability level. By entering into a joint venture agreement, TNF is presented with an opportunity to be flexible, which arises from the fact that the firm can manage to switch into new business ventures.

In spite of the benefits associated with joint ventures, the biggest limitation arises from the fact that the parties to the joint venture have to share the accrued profits. Additionally, huge administrative costs are involved in the process of formulating the equity agreement. Forming joint ventures involves a complex process. Consequently, it is paramount for TNF's management team to ensure that the process is well undertaken. One of the ways through which the firm can achieve this goal is by evaluating the need of being engaged in such a task. The first stage should entail assessing the motives of such a joint venture. Additionally, TNF should consider entering into a joint venture agreement if the benefits associated are higher than the costs.

Mergers and acquisitions

A merger refers to the combination of two organizations leading to the formation of one entity. On the other hand, acquisition entails purchasing of a particular company by another, which means that, no new entity is formed. There are two main categories of mergers and acquisitions, which include financial acquisitions and strategic mergers acquisitions (Coyle, 2000). Financial acquisitions are undertaken because of financial reasons while strategic mergers are undertaken because of commercial reasons. Alternatively, mergers can be categorized in accordance with the strategic purpose for their formation. The main categories include horizontal, vertical, product, conglomerate, market extension, and product extension. Horizontal mergers are formed between firms that deal with similar products or operate within a particular geographical market.

In July 2012, TNF announced its plan to merge with other extreme sports companies, which include Freeskiing World Tour and Freeride World Tour. The merger has significantly help TNF in attaining sales synergy, which arises from the fact that the firm is presented with an opportunity to market to a large number of customers through achievement of common sales administration and distribution efficiency. The two parties to the merger are well recognized in the extreme sporting industry. Therefore, the merger will increase the probability of TNF becoming a global firm, as it will be exposed to new geographical markets within which it can sell its products (First Tracks, 2012).

On June 31, 2011, TNF acquired Timberland Company at a cost of $2 million. The acquisition agreement required TNF to pay Timberland Company shareholders $43 for every share held. The decision to acquire Timberland Company arose from recognition of the benefits that it would acquire (Smith, 2011). Prior to its acquisition, Timberland Company had nurtured a high level of expertise with regard to international market penetration, as illustrated by its successful penetration into the Japanese market. The firm has also established outlets in Asia, Europe, Latin America, North America, and South Africa. Timberland Company has also achieved an effective leadership position with regard to sustainability (Dione, 2011). The firm has also developed a strong competitive advantage in engineering and designing premium quality outdoor equipments, footwear, and apparels. By acquiring Timberland, TNF will increase its profit maximization potential because it will access a larger market.

Mergers and acquisitions are currently some of the major corporate strategies that organizations are incorporating in their efforts to attain higher competitive advantage compared to their competitors. However, mergers and acquisitions are complex processes. As a result, most mergers and acquisitions do not succeed. There are numerous reasons that are associated with failures of these processes. One such factor relates to the existence of cultural difference between the firms entering into merger and acquisition agreements (Coyle, 2000).

Prior to entering into mergers and acquisitions, it is essential for TNF to conduct a comprehensive cultural analysis to determine the degree of cultural congruence that exists between the firm and its target firm. This move will aid in minimizing the risk of failure. Additionally, conducting cultural analysis will aid in safeguarding the firm against possible financial losses. According to Sherman and Hart (2006, p. 36), a substantial amount of money is involved in the process of undertaking mergers and acquisitions.

Organizational culture

Organizational culture plays an important role in the success of every organization. Therefore, it is important for firms’ management teams to develop a strong organizational culture. In its operation, TNF has incorporated a strong customer focus and brand management culture. Through customer focus, the firm is committed to ensuring that its customers receive the most effective services. Customer focus has also enabled TNF to offer high quality products that contribute to a high level of customer satisfaction. By incorporating the concept of brand management within its organizational culture, TNF has managed to sustain its competitiveness in an industry that is characterized by intense competition. In an attempt to nurture its organizational culture, TNF has incorporated a number of initiatives, which include conducting continuous market research and engaging in research and development. Through market research, the firm is in a position to identify the prevailing consumer market needs. On the other hand, elements of research and development contribute towards the development of high quality outdoor equipments, footwear, and apparels by the firm. By nurturing this type of organizational culture, TNF has been in a position to enhance the level of customer loyalty.

Information Technology

TNF appreciates the role of information technology in firms' operational processes. As a result, the firm has implemented an effective computer network. The computer network has enabled TNF to attain a high level of efficiency in its internal and external communication processes. With regard to its internal communication, TNF has implemented the Intranet technology. Through the Intranet, the management team can communicate effectively and efficiently to other departments. The Intranet technology also enables the firm to ensure that the information communicated is accessible only to parties within the firm. TNF has also incorporated the Internet as one of its information technologies.

Through the Internet, TNF is not only able to communicate internally, but also to external stakeholders. TNF has developed an official website through which it communicates to potential customers. Additionally, the website enables TNF to market its products to athletes, which has been made possible by the firm's adoption of online marketing concept. In a bid to make the online shopping process easy, TNF has designed its website in a way that customers can select products according to their type and activity. This aspect has simplified the online shopping process. TNF also uses emails to communicate to its clients. The firm achieves this by sending newsletters through emails.

TNF recognizes the role of emerging social networks in firms' marketing processes. Consequently, the firm has developed a blog known as *Never Stop Exploring*. The blog provides athletes with an opportunity to write articles and post their photos and videos on their experiences. The blog articles posted are very effective in influencing consumers to purchase its products and explore nature, for example, by going for expeditions. Other social networking tools that TNF has incorporated among its information technology capability include *Facebook*, *Twitter*, and *You Tube*. These social networking sites have enabled the firm to connect with its customers. In line with the high rate of innovation with regard to ICT, TNF has incorporated an e-marketing plan. The objective of the plan is to increase the firm's online sales, improve the market awareness, and support new product lines.

Decision-making and innovation

In an effort to improve the quality of the decisions made, TNF has adopted a participatory decision-making process. The process is enhanced by the fact that the firm has adopted a democratic leadership style. One of the factors that improve the effective decision making process is the communication process accepted by the firm. The firm has adopted both bottom-top and top-bottom communication channel. This strategy has significantly contributed towards an effective exchange of information within the firm. The firm's decision-making process is also enhanced by the fact that it sources information from its customers through various mediums such as social media. The firm considers the contribution from customers and employees as very important elements in its decision-making. TNF is also committed towards ensuring that its products are competitive. Consequently, the firm heavily invests in quality improvement, coupled with research and development. TNF has also integrated research and development with its product development process to be effective in its innovative process.

Conclusion

The research conducted illustrates that TNF's success hinges on integration of effective strategic management processes. Development of inter-organizational relationships is one of the factors that have significantly contributed to the firm's success. These relationships include joint ventures, strategic partnerships, and mergers and acquisitions. The firm's success has also been facilitated by the development of a strong organizational culture, incorporation of information technology, and effective decision-making and innovation.

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