**Introduction**

This chapter is concerned with three closely related topics: (1) the decision of which foreign markets to enter, when to enter them, and on what scale; (2) the choice of entry mode; and (3) the role of strategic alliances. Any firm contemplating foreign expansion must first decide on which foreign market or markets to enter and the timing and scale of entry. Oftentimes, small and medium-sized companies decide to enter one international market at a time, while larger companies choose strategically one or more markets to enter.

For both large and SME companies, the choice of which international markets to enter should be driven by an assessment of relative long-run growth and profit potential.

The choice of mode for entering a foreign market is another major issue with which international businesses must wrestle. The various modes for serving foreign markets are exporting, licensing, or franchising to host-country firms; establishing joint ventures with a host-country firm; setting up a new wholly owned subsidiary in a host country to serve its market; and acquiring an established enterprise in the host nation to serve that market. Each of these options has advantages and disadvantages. The magnitude of the advantages and disadvantages associated with each entry mode is determined by a number of factors, including logistics costs, trade barriers, political risks, economic risks, business risks, costs, and firm strategy. The optimal entry mode varies by situation, depending on these factors.

The final topic of this chapter is strategic alliances. Strategic alliances are cooperative agreements between potential or actual competitors. The term is often used to embrace a variety of agreements between actual or potential competitors including cross-shareholding deals, licensing arrangements, formal joint ventures, and informal cooperative arrangements. The motives for entering strategic alliances are varied, but they often include market access, hence the overlap with the topic of entry mode.

**Basic Entry Decisions**

A firm contemplating foreign expansion must make three basic decisions: which markets to enter, when to enter those markets, and on what scale.

**WHICH FOREIGN MARKETS?**

There are now 196 countries and more than 60 territories in the world, and they do not all hold the same profit potential for a firm contemplating foreign expansion.2 Ultimately, the choice must be based on an assessment of a nation’s long-run profit potential. This potential is a function of several factors, many of which we have studied in earlier chapters. Chapters 2 and 3 looked in detail at the economic and political factors that influence the potential attractiveness of a foreign market.

Chapters 2 and 3 also noted that the long-run economic benefits of doing business in a country are a function of factors such as the size of the market (in terms of demographics); the present wealth (purchasing power) of consumers in that market; and the likely future wealth of consumers, which depends on economic growth rates.

As we saw in Chapters 2 and 3, likely future economic growth rates appear to be a function of a free market system and a country’s capacity for growth (which may be greater in less developed nations). Also, the costs and risks associated with doing business in a foreign country are typically lower in economically advanced and politically stable democratic nations, and they are greater in less developed and politically unstable nations. That said, the long-term stability in many developed European countries also means that they have limited growth potential compared with higher-risk emerging countries.

The discussion in Chapters 2 and 3 suggests that, other things being equal, the benefit– cost–risk trade-off is likely to be most favorable in politically stable developed and developing nations that have free market systems, and where there is not a dramatic upsurge in either inflation rates or private-sector debt.

Another important factor is the value an international business can create in a foreign market. This depends on the suitability of its products to that market and the nature of indigenous competition.3 If the international business can offer a product that has not been widely available in a market and that satisfies an unmet need, the value of that product to consumers is likely to be much greater than if the international business simply offers the same type of product that indigenous competitors and other foreign entrants are already offering. Greater value translates into an ability to charge higher prices and/or to build sales volume more rapidly. By considering such factors, a firm can rank countries in terms of their attractiveness and long-run profit potential. Preference is then given to entering markets that rank highly.

**TIMING OF ENTRY**

Once attractive markets have been identified, it is important to consider the timing of entry. Entry is considered to be early when an international business enters a foreign market before other foreign firms and late when it enters after other international businesses have already established themselves in a market. The advantages frequently associated with entering a market early are commonly known as first-mover advantages.4 One firstmover advantage is the ability to preempt rivals and capture demand by establishing a strong brand name and customer satisfaction. This desire has driven the rapid expansion by Tesco into developing nations (see the Management Focus). A second advantage is the ability to build sales volume in that country and ride down the experience curve ahead of rivals, giving the early entrant a cost advantage over later entrants. This cost advantage may enable the early entrant to cut prices below that of later entrants, thereby driving them out of the market. A third advantage is the ability of early entrants to create switching costs that tie customers into their products or services. Such switching costs make it difficult for later entrants to win business. There can also be disadvantages associated with entering a foreign market before other international businesses. These are often referred to as first-mover disadvantages.5 These disadvantages may give rise to pioneering costs, costs that an early entrant has to bear that a later entrant can avoid. Pioneering costs arise when the business system in a foreign country is so different from that in a firm’s home market that the enterprise has to devote considerable effort, time, and expense to learning the rules of the game. Pioneering costs include the costs of business failure if the firm, due to its ignorance of the foreign environment, makes major mistakes. A certain liability is associated with being a foreigner, and this liability is greater for foreign firms that enter a national market early.

Pioneering costs also include the costs of promoting and establishing a product offering, including the costs of educating customers. These can be significant when the product being promoted is unfamiliar to local consumers. In contrast, later entrants may be able to ride on an early entrant’s investments in learning and customer education by watching how the early entrant proceeded in the market, by avoiding costly mistakes made by the early entrant, and by exploiting the market potential created by the early entrant’s investments in customer education.

**SCALE OF ENTRY AND STRATEGIC COMMITMENTS**

Another issue that an international business needs to consider when contemplating market entry is the scale of entry. Entering a market on a large scale involves the commitment of significant resources and implies rapid entry.

The consequences of entering on a significant scale—entering rapidly—are associated with the value of the resulting strategic commitments.8 A strategic commitment has a long-term impact and is difficult to reverse. Deciding to enter a foreign market on a significant scale is a major strategic commitment. Strategic commitments, such as rapid large-scale market entry, can have an important influence on the nature of competition in a market.

Balanced against the value and risks of the commitments associated with large-scale entry are the benefits of a small-scale entry. Small-scale entry allows a firm to learn about a foreign market while limiting the firm’s exposure to that market. Small-scale entry is a way to gather information about a foreign market before deciding whether to enter on a significant scale and how best to enter.

**MARKET ENTRY SUMMARY**

There are no “right” decisions here, just decisions that are associated with different levels of risk and reward.

This section has been written largely from the perspective of a business based in a developed country considering entry into foreign markets. Christopher Bartlett and Sumantra Ghoshal have pointed out the ability that businesses based in developing nations have to enter foreign markets and become global players.

Bartlett and Ghoshal argue that such late movers can still succeed against wellestablished global competitors by pursuing appropriate strategies. In particular, Bartlett and Ghoshal argue that companies based in developing nations should use the entry of foreign multinationals as an opportunity to learn from these competitors by benchmarking their operations and performance against them. Furthermore, they suggest the local company may be able to find ways to differentiate itself from a foreign multinational, for example, by focusing on market niches that the multinational ignores or is unable to serve effectively if it has a standardized global product offering.

**Entry Modes**

Once a firm decides to enter a foreign market, the question arises as to the best mode of entry. Firms can use six different modes to enter foreign markets: exporting, turnkey projects, licensing, franchising, establishing joint ventures with a host-country firm, or setting up a new wholly owned subsidiary in the host country. Each entry mode has advantages and disadvantages.

**EXPORTING**

Many manufacturing firms begin their global expansion as exporters and only later switch to another mode for serving a foreign market.

**Advantages**

Exporting has two distinct advantages. First, it avoids the often substantial costs of establishing manufacturing operations in the host country. Second, exporting may help a firm achieve experience curve and location economies (see Chapter 13). By manufacturing the product in a centralized location and exporting it to other national markets, the firm may realize substantial scale economies from its global sales volume.

**Disadvantages**

Exporting has a number of drawbacks. **First**, exporting from the firm’s home base may not be appropriate if lower-cost locations for manufacturing the product can be found abroad (i.e., if the firm can realize location economies by moving production elsewhere). Thus, particularly for firms pursuing global or transnational strategies, it may be preferable to manufacture where the mix of factor conditions is most favorable from a value creation perspective and to export to the rest of the world from that location.

A **second** drawback to exporting is that high transport costs can make exporting uneconomical, particularly for bulk products.

**Another** drawback is that tariff barriers can make exporting uneconomical. Similarly, the threat of tariff barriers by the host-country government can make it very risky.

A **fourth** drawback to exporting arises when a firm delegates its marketing, sales, and service in each country where it does business to another company.

The way around such problems is to set up wholly owned subsidiaries in foreign nations to handle local marketing, sales, and service.

**TURNKEY PROJECTS**

Firms that specialize in the design, construction, and start-up of turnkey plants are common in some industries. In a turnkey project, the contractor agrees to handle every detail of the project for a foreign client, including the training of operating personnel. At completion of the contract, the foreign client is handed the “key” to a plant that is ready for full operation— hence, the term turnkey. This is a means of exporting process technology to other countries. Turnkey projects are most common in the chemical, pharmaceutical, petroleum-refining, and metal-refining industries, all of which use complex, expensive production technologies.

**Advantages**

The know-how required to assemble and run a technologically complex process, such as refining petroleum or steel, is a valuable asset. Turnkey projects are a way of earning great economic returns from that asset. The strategy is particularly useful where foreign direct investment (FDI) is limited by host-government regulations.

**Disadvantages**

Three main drawbacks are associated with a turnkey strategy.

**First**, the firm that enters into a turnkey deal will have no long-term interest in the foreign country.

**Second**, the firm that enters into a turnkey project with a foreign enterprise may inadvertently create a competitor.

**Third**, if the firm’s process technology is a source of competitive advantage, then selling this technology through a turnkey project is also selling competitive advantage to potential and/or actual competitors.

**LICENSING**

A **licensing agreement** is an arrangement whereby a licensor grants the rights to intangible property to another entity (the licensee) for a specified period, and in return, the licensor receives a royalty fee from the licensee.13 Intangible property includes patents, inventions, formulas, processes, designs, copyrights, and trademarks.

**Advantages**

In the typical international licensing deal, the licensee puts up most of the capital necessary to get the overseas operation going. Thus, a primary advantage of licensing is that the firm does not have to bear the development costs and risks associated with opening a foreign market. Licensing is very attractive for firms lacking the capital to develop operations overseas. In addition, licensing can be attractive when a firm is unwilling to commit substantial financial resources to an unfamiliar or politically volatile foreign market. Licensing is also often used when a firm wishes to participate in a foreign market but is prohibited from doing so by barriers to investment.

Finally, licensing is frequently used when a firm possesses some intangible property that might have business applications, but it does not want to develop those applications itself.

**Disadvantages**

Licensing has three serious drawbacks.

**First,** it does not give a firm the tight control over manufacturing, marketing, and strategy that is required for realizing experience curve and location economies. Licensing typically involves each licensee setting up its own production operations. This severely limits the firm’s ability to realize experience curve and location economies by producing its product in a centralized location.

**Second**, competing in a global market may require a firm to coordinate strategic moves across countries by using profits earned in one country to support competitive attacks in another. By its very nature, licensing limits a firm’s ability to do this. A licensee is unlikely to allow a multinational firm to use its profits (beyond those due in the form of royalty payments) to support a different licensee operating in another country.

A **third** problem with licensing is one that we encountered in Chapter 8 when we reviewed the economic theory of foreign direct investment (FDI). This is the risk associated with licensing technological know-how to foreign companies. Technological know-how constitutes the basis of many multinational firms’ competitive advantage.

There are ways of reducing this risk. One way is by entering into a cross-licensing agreement with a foreign firm. Under a cross-licensing agreement, a firm might license some valuable intangible property to a foreign partner, but in addition to a royalty payment, the firm might also request that the foreign partner license some of its valuable know-how to the firm.

Another way of reducing the risk associated with licensing is to follow the Fuji Xerox model and link an agreement to license know-how with the formation of a joint venture in which the licensor and licensee take important equity stakes. Such an approach aligns the interests of licensor and licensee, because both have a stake in ensuring that the venture is successful.

**FRANCHISING**

Franchising is similar to licensing, although franchising tends to involve longer-term commitments than licensing. Franchising is basically a specialized form of licensing in which the franchiser not only sells intangible property (normally a trademark) to the franchisee, but also insists that the franchisee agree to abide by strict rules as to how it does business. The franchiser will also often assist the franchisee to run the business on an ongoing basis. As with licensing, the franchiser typically receives a royalty payment, which amounts to some percentage of the franchisee’s revenues. Whereas licensing is pursued primarily by manufacturing firms, franchising is employed primarily by service firms.16

**Advantages**

The advantages of franchising as an entry mode are very similar to those of licensing. The firm is relieved of many of the costs and risks of opening a foreign market on its own. Instead, the franchisee typically assumes those costs and risks. This creates a good incentive for the franchisee to build a profitable operation as quickly as possible.

**Disadvantages**

The disadvantages are less pronounced than in the case of licensing. Since franchising is often used by service companies, there is no reason to consider the need for coordination of manufacturing to achieve experience curve and location economies. But franchising may inhibit the firm’s ability to take profits out of one country to support competitive attacks in another. A more significant disadvantage of franchising is quality control. The foundation of franchising arrangements is that the firm’s brand name conveys a message to consumers about the quality of the firm’s product.

One way around this disadvantage is to set up a subsidiary in each country in which the firm expands. The subsidiary might be wholly owned by the company or a joint venture with a foreign company. The subsidiary assumes the rights and obligations to establish franchises throughout the particular country or region.

**JOINT VENTURES**

A joint venture entails establishing a firm that is jointly owned by two or more otherwise independent firms.

The most typical joint venture is a 50–50 venture, in which there are two parties, each of which holding a 50 percent ownership stake and contributing a team of managers to share operating control.

**Advantages**

Joint ventures have a number of advantages.

**First**, a firm benefits from a local partner’s knowledge of the host country’s competitive conditions, culture, language, political systems, and business.

**Second**, when the development costs and/or risks of opening a foreign market are high, a firm might gain by sharing these costs and or risks with a local partner. Third, in many countries, political considerations make joint ventures the only feasible entry mode.

**Disadvantages**

Despite these advantages, there are major disadvantages with joint ventures.

**First**, as with licensing, a firm that enters into a joint venture risks giving control of its technology to its partner.

One option is to hold majority ownership in the venture. This allows the dominant partner to exercise greater control over its technology. But it can be difficult to find a foreign partner who is willing to settle for minority ownership.

A **second** disadvantage is that a joint venture does not give a firm the tight control over subsidiaries that it might need to realize experience curve or location economies. Nor does it give a firm the tight control over a foreign subsidiary that it might need for engaging in coordinated global attacks against its rivals.

A **third** disadvantage with joint ventures is that the shared ownership arrangement can lead to conflicts and battles for control between the investing firms if their goals and objectives change or if they take different views as to what the strategy should be.

However, much research indicates that conflicts of interest over strategy and goals often arise in joint ventures. These conflicts tend to be greater when the venture is between firms of different nationalities, and they often end in the dissolution of the venture.

**WHOLLY OWNED SUBSIDIARIES**

In a **wholly owned subsidiary**, the firm owns 100 percent of the stock. Establishing a wholly owned subsidiary in a foreign market can be done two ways. The firm either can set up a new operation in that country, often referred to as a greenfield venture, or it can acquire an established firm in that host nation and use that firm to promote its products.

**Advantages**

There are several clear advantages of wholly owned subsidiaries.

**First**, when a firm’s competitive advantage is based on technological competence, a wholly owned subsidiary will often be the preferred entry mode because it reduces the risk of losing control over that competence. (See Chapter 8 for more details.) Many high-tech firms prefer this entry mode for overseas expansion (e.g., firms in the semiconductor, electronics, and pharmaceutical industries). **Second**, a wholly owned subsidiary gives a firm tight control over operations in different countries. This is necessary for engaging in global strategic coordination (i.e., using profits from one country to support competitive attacks in another).

**Third**, a wholly owned subsidiary may be required if a firm is trying to realize location and experience curve economies (as firms pursuing global and transnational strategies try to do).

**Disadvantage**

Establishing a wholly owned subsidiary is generally the most costly method of serving a foreign market from a capital investment standpoint. Firms doing this must bear the full capital costs and risks of setting up overseas operations. The risks associated with learning to do business in a new culture are less if the firm acquires an established host-country enterprise.

**Selecting an Entry Mode**

As the preceding discussion demonstrated, all the entry modes have advantages and disadvantages, as summarized in Table 15.1. Thus, trade-offs are inevitable when selecting an entry mode.

**TABLE 15.1** Advantages and Disadvantages of Entry Modes

**CORE COMPETENCIES AND ENTRY MODE**

We saw in Chapter 13 that firms often expand internationally to earn greater returns from their core competencies, transferring the skills and products derived from their core competencies to foreign markets where indigenous competitors lack those skills. The optimal entry mode for these firms depends to some degree on the nature of their core competencies. A distinction can be drawn between firms whose core competency is in technological know-how and those whose core competency is in management know-how.

**Technological Know-How**

As was observed in Chapter 8, if a firm’s competitive advantage (its core competence) is based on control over proprietary technological know-how, licensing and joint-venture arrangements should be avoided if possible to minimize the risk of losing control over that technology. Thus, if a high-tech firm sets up operations in a foreign country to profit from a core competency in technological know-how, it will probably do so through a wholly owned subsidiary. This rule should not be viewed as hard and fast, however. Sometimes a licensing or joint-venture arrangement can be structured to reduce the risk of licensees or joint-venture partners expropriating technological know-how. Another exception exists when a firm perceives its technological advantage to be only transitory, when it expects rapid imitation of its core technology by competitors. In such cases, the firm might want to license its technology as rapidly as possible to foreign firms to gain global acceptance for its technology before the imitation occurs.

**Management Know-How**

The competitive advantage of many service firms is based on management know-how (e.g., KFC, McDonald’s, Starbucks, Subway). For such firms, the risk of losing control over the management skills to franchisees or joint-venture partners is not that great. These firms’ valuable asset is their brand name, and brand names are generally well protected by international laws pertaining to trademarks. Given this, many of the issues arising in the case of technological know-how are of less concern here. As a result, many service firms favor a combination of franchising and **master subsidiaries** to control the franchises within particular countries or regions.

**PRESSURES FOR COST REDUCTIONS AND ENTRY MODE**

The greater the pressures for cost reductions, the more likely a firm will want to pursue some combination of exporting and wholly owned subsidiaries. By manufacturing in those locations where factor conditions are optimal and then exporting to the rest of the world, a firm may be able to realize substantial location and experience curve economies. The firm might then want to export the finished product to marketing subsidiaries based in various countries. These subsidiaries will typically be wholly owned and have the responsibility for overseeing distribution in their particular countries. Setting up wholly owned marketing subsidiaries is preferable to joint-venture arrangements and to using foreign marketing agents because it gives the firm tight control that might be required for coordinating a globally dispersed value chain.

**Greenfield Venture or Acquisition?**

A firm can establish a wholly owned subsidiary in a country by building a subsidiary from the ground up, the so-called greenfield strategy, or by acquiring an enterprise in the target market.

**PROS AND CONS OF ACQUISITIONS**

Acquisitions have three major points in their favor.

**First**, they are quick to execute. By acquiring an established enterprise, a firm can rapidly build its presence in the target foreign market.

**Second,** in many cases firms make acquisitions to preempt their competitors.

**Third**, managers may believe acquisitions to be less risky than greenfield ventures.

Despite the arguments for engaging in acquisitions, many acquisitions often produce disappointing results.30

**Why Do Acquisitions Fail?**

Acquisitions fail for several reasons.

**First**, the acquiring firms often overpay for the assets of the acquired firm.

**Second**, many acquisitions fail because there is a clash between the cultures of the acquiring and acquired firms.

**Third**, many acquisitions fail because attempts to realize gains by integrating the operations of the acquired and acquiring entities often run into roadblocks and take much longer than forecast. Differences in management philosophy and company culture can slow the integration of operations. Differences in national culture may exacerbate these problems. Bureaucratic haggling between managers also complicates the process.

**Finally**, many acquisitions fail due to inadequate preacquisition screening.41 Many firms decide to acquire other firms without thoroughly analyzing the potential benefits and costs.

**Reducing the Risks of Failure**

These problems can all be overcome if the firm is careful about its acquisition strategy.42 Screening of the foreign enterprise to be acquired—including a detailed auditing of operations, financial position, and management culture—can help to make sure the firm (1) does not pay too much for the acquired unit, (2) does not uncover any nasty surprises after the acquisition, and (3) acquires a firm whose organization culture is not antagonistic to that of the acquiring enterprise.

**PROS AND CONS OF GREENFIELD VENTURES**

The big advantage of establishing a greenfield venture in a foreign country is that it gives the firm a much greater ability to build the kind of subsidiary company that it wants. For example, it is much easier to build an organization culture from scratch than it is to change the culture of an acquired unit. Similarly, it is much easier to establish a set of operating routines in a new subsidiary than it is to convert the operating routines of an acquired unit. This is a very important advantage for many international businesses, where transferring products, competencies, skills, and know-how from the established operations of the firm to the new subsidiary are principal ways of creating value.

Set against this significant advantage are the disadvantages of establishing a greenfield venture. Greenfield ventures are slower to establish. They are also risky. As with any new venture, a degree of uncertainty is associated with future revenue and profit prospects. However, if the firm has already been successful in other foreign markets and understands what it takes to do business in other countries, these risks may not be that great.

**WHICH CHOICE?**

The choice between acquisitions and greenfield ventures is not an easy one. Both modes have their advantages and disadvantages. In general, the choice will depend on the circumstances confronting the firm.

**Strategic Alliances**

Strategic alliances refer to cooperative agreements between potential or actual competitors. In this section, we are concerned specifically with strategic alliances between firms from different countries. Strategic alliances run the range from formal joint ventures, in which two or more firms have equity stakes (e.g., Fuji Xerox), to short-term contractual agreements, in which two companies agree to cooperate on a particular task (such as developing a new product).

**ADVANTAGES OF STRATEGIC ALLIANCES**

Firms ally themselves with actual or potential competitors for various strategic purposes.43

**First**, strategic alliances may facilitate entry into a foreign market. For example, many firms believe that if they are to successfully enter the Chinese market, they need a local partner who understands business conditions and who has good connections (or guanxi— see Chapter 4).

**Second**, strategic alliances also allow firms to share the fixed costs (and associated risks) of developing new products or processes.

**Third,** an alliance is a way to bring together complementary skills and assets that neither company could easily develop on its own.45

**Fourth,** it can make sense to form an alliance that will help the firm establish technological standards for the industry that will benefit the firm.

**DISADVANTAGES OF STRATEGIC ALLIANCES**

Some professionals have criticized strategic alliances on the grounds that they give competitors a low-cost route to new technology and markets.49

These critics have a point; alliances have risks. Unless a firm is careful, it can give away more than it receives.

**MAKING ALLIANCES WORK**

The failure rate for international strategic alliances seems to be high. One study of 49 international strategic alliances found that two-thirds run into serious managerial and financial troubles within two years of their formation, and that although many of these problems are solved, 33 percent are ultimately rated as failures by the parties involved.51 The success of an alliance seems to be a function of three main factors: partner selection, alliance structure, and the manner in which the alliance is managed.

**Partner Selection**

**First**, a good partner helps the firm achieve its strategic goals, whether they are market access, sharing the costs and risks of product development, or gaining access to critical core competencies.

**Second**, a good partner shares the firm’s vision for the purpose of the alliance.

**Third,** a good partner is unlikely to try to opportunistically exploit the alliance for its own ends, that is, to expropriate the firm’s technological know-how while giving away little in return.

To select a partner with these three characteristics, a firm needs to conduct comprehensive research on potential alliance candidates.

**Alliance Structure**

**First**, alliances can be designed to make it difficult (if not impossible) to transfer technology not meant to be transferred. The design, development, manufacture, and service of a product manufactured by an alliance can be structured so as to wall off sensitive technologies to prevent their leakage to the other participant.

**Second**, contractual safeguards can be written into an alliance agreement to guard against the risk of opportunism by a partner (opportunism includes the theft of technology and/or markets).

**Third**, both parties to an alliance can agree in advance to swap skills and technologies that the other covets, thereby ensuring a chance for equitable gain. Cross-licensing agreements are one way to achieve this goal.

**Fourth,** the risk of opportunism by an alliance partner can be reduced if the firm extracts a significant credible commitment from its partner in advance.

**Managing the Alliance**

Once a partner has been selected and an appropriate alliance structure has been agreed on, the task facing the firm is to maximize its benefits from the alliance. As in all international business deals, an important factor is sensitivity to cultural differences (see Chapter 4). Many differences in management style are attributable to cultural differences, and managers need to make allowances for these in dealing with their partner.

Managing an alliance successfully requires building interpersonal relationships between the firms’ managers, or what is sometimes referred to as **relational capital**.

Academics have argued that a major determinant of how much knowledge a company gains from an alliance is its ability to learn from its alliance partner.

To maximize the learning benefits of an alliance, a firm must try to learn from its partner and then apply the knowledge within its own organization. It has been suggested that all operating employees should be well briefed on the partner’s strengths and weaknesses and should understand how acquiring particular skills will bolster their firm’s competitive position.