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Original Paper

Effect of Partnership on Business: A Case Study

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Abstract

A partnership offers a lot of advantages which include long term stability and more capitals. However, such an arrangement comes with some disadvantages which include loss of autonomy, liabilities, as well as sharing of profit and emotional issues. Among the many factors that need consideration in a partnership, the one factor of prime importance is the evaluation of the prospective partner so as to ensure he/she is a good match. The purpose of this study is to investigate and analyze the effects of factors as, among others, the loss of autonomy and liabilities on the functioning of partnership based businesses. In this study, taking into account data collected from 50 enterprises in India, statistical methodologies of ANOVA and multiple comparison tests were used for factor comparisons at the significance level of 5%. Results have shown that in most of the partnership businesses the partners were satisfied with each other, except for emotional issues. It would be then important to deeply explore such issues in order to minimize eventual damages caused by such disadvantage.

Keywords

Partnership business, autonomy, decision, liabilities, profit, and Emotional issues, ANOVA, Tukey method

1. Introduction

A partnership business is the agreement between two or more party in which all jointly operate and manage the business. The partners will invest money in the business to generate the assets and provide the best service and quality and they distribute both profit and losses. The business regularly should enlist with all states where it does business and, before establishing the registration for the partnership business, it is essential to know several different kinds of partnerships that can be framed. Few partnerships business incorporates people who work in the business, while other partnerships may incorporate partners who have restricted investments and also limited liability for the business's debt, see (Alan Haut, 2020).

Good partners are those who can understand each other very well and proceed with suitable decision regarding business unit. Partners together can bring a sort of knowledge regarding how to develop the business with great ideas. It is well known that due to optimized strategies the business may improve and generate a huge profit. One of the main advantages for doing partnership business is that all can invest and generate more capitals for the business. It is easier to start a new unit, while doing in partnership, once in this way each partner invest less as compared to sole business and, moreover, also the financial burden for expenses and capital expenditures are shared. Also, while doing business together more advertising will happen. Another crucial part in partnership business is labor, since by distributing labors a partner may also lightened the load and realize to take time off when needed. In partnership business there is one essential benefit that is a marketing contract which should include the production of quality products, efficiency in the collection of outcomes, relative stable price and supply continuity capacity because of production planning. Meanwhile, the institutional sector, which is usually built on proper relations with a simple system of rewards and punishments, is a drawback of partnership business. Because of the promoting contract, the partnership company usually has an organization on specific sectors (processing industries, supermarkets, hotels and restaurants) with strict quality standards, but lacks market adaptability and can only get goods that meet the quality standards agreed by both parties (Saptana, 2009). In essence, a partnership is a set of interdependent relationships between various entertainers with the goal of accomplishing mutually acceptable goals, and at this stage, all meetings should share risk-taking tasks. One thing to keep in mind is that, as compared to the current capacity, the subsidised and efficient solution is still unfit to produce more ideal outcomes (Widyani, 2013).

In particular, partnerships to promote towns and countries Revitalization and economic development are analyzed as they involve a wide range of stakeholders (Including central or federal government, private sector, local government, local government) and the questions they are based on are diverse. Many case studies Such partnerships exist (Wannop, 1990), but more general partnerships. The rationale for their understanding and analysis has not yet been fully developed.

The partnership approach has gained widespread support throughout the political spectrum. Includes policy makers, officials and communities. They will probably stay high Policy agenda at all levels (Audit Committee, 1991).

At the local level, there is likely to be continued or increased involvement in the partnership approach. Public and / or private and non-governmental organizations due to practical factors Resource constraints, more ideological factors, etc. (Leach et al., 1994).

Each partnership is a function of specific historical, economic, social and political factors. In context, there are many common trends. Types of partnerships, especially “public-private partnerships”, as well as semi-public and / or partnerships between public institutions Changes in global economic patterns, government funding, changes due to economic changes United States (Weaver & Dennert, 1987) and United Kingdom (Harding, 1990; McQuaid, 1994, 1999).

Partnership companies can be used to address problems such as a lack of funding and creativity for small-scale farmers, as well as to improve products quality and address marketing issues. The introduction of a partnership company often encounters issues from both formers and their business partners, rendering the partnership impractical (Purwaningsih, 2007).

The partnership business plans, according to Sulistyo and Adiatma (2011), are designed to help Small businesses become self-sufficient by providing funding and training. It entails making human resources more knowledgeable and skilled in order to ensure business continuity in the future.

According to Rachmad (1998), collaboration business is fundamentally a way to foster mutual cooperation. The performance of agro-industries is based on the philosophy shared by the partners. Partnership, according to Law Number 9 of 1995, is a relationship between a small business and a medium or large business based on shared needs, power, and benefits

Given the increased global competition among corporate organizations, Thorelli (1996) contends that collaboration is necessary for the advancement of the organization paradigm. Practical association, norm-based inter-realization, and joint and composed administration by the market-driven association all contribute to the development of true collaboration in the organization (Morgan et al., 1994).The alliance business strategy is a choice of partnership business, strategy that helps to improve the firm’s success by influencing factors such as dependency, quality of partnerships, versatility, and knowledge sharing. The performance, distribution of information, technology, cost-cutting, and innovation processes will all play a significant role in the main goal of a partnership company (Johnson, 1999). According to Dorsch et al. (1998), a successful relationship company would establish a higher degree of confidence, improved communication, and a greater commitment to both sides’ satisfaction. Individual partners feel more able to introduce their specific goals when potential partners spend time getting to know one another and thereby deepening their awareness of each other’s interests. While it is critical for partners to share a shared purpose and to allow for the desired results, consequences, and company for their partnership as a whole, it is also critical that partners understand and agree that each partner entity has the right to expect specific benefits. The key is to ensure that specific goals are appropriate (even if they are not shared) for other partners and, more importantly, that they do not conflict with the partnership’s common objective. Increasing Partnering Agreements (IPA) represent each partner’s ability to achieve both clear and shared goals. Each partner company can see tangible value applied to their organizational goals and needs, which will support the partnership as a whole. As a result, it is in each partner’s best interests to be aware of and contribute to individual partner goals whenever possible.

Iswati and Sholeh (2019) mentioned in their study that the partnership program run by O’Chicken performs excellent quality control where partners are given training so that the quality of services owned by the core company is the same as the quality of services provided by partners to consumers. Training is given by O’Chicken chef directly to new partner; in this case, the owner of the outlet is then forwarded to the employees.

As discussed above, there are multiple advantages of the partnership business but also it brings disadvantages that need particular attention, loss of autonomy, decision, liabilities, profit, and Emotional issues, which are going to be discussed in this study.

1.1 Definitions of Partnership

The term "partnership" involves very different concepts and practices. Different types of relationships in different situations and places. Actually it has As a "method for", it is suggested that the scope of partnership activities is endless. The implementation of such (public-private) partnerships is limited only by imagination, Economic development agencies are using this concept more and more innovatively (Lyons & Hamlin, 1991).

First, the possibility of some sort of synergistic effect, namely "total is greater than portion". Second, partnerships include both the development and implementation of strategies or series of projects or operations, but not all parties need to be equally involved at all stages. Third, in public-private partnerships, public funding does not pursue purely commercial goals. Therefore, the standard of partnership is the existence of a social partnership (that is, if there is purely no commerce).

Partnerships include cooperation, or "work or act together," and can participate in public policy. Defined as mutual cooperation between individuals or organizations in the public or private sector**.** Harding (1990) defines a similar general definition of "public-private partnership" as any action with the consent of a public institution and It is a private sector, which also somehow has an urban economy "Quality of Life" (p. 110), he claims, has limited conceptual value. Bailey (1994) A practical definition of public-private partnership in urban renewal Mobilize and prepare a coalition of profits from multiple sectors, Monitoring of agreed strategies for the regeneration of defined areas.

2. The Impact of Different Factors on Partnership

2.1 Loss of Autonomy

Probably people enjoy having complete control in a sole proprietorship, but in a partnership, he must share it with another partner and make all of the important decisions together.

There are various benefits and drawbacks of forming a relationship. It will necessitate a mental change, which may not be easily maintained over time. If a person run a company on own for a long time and eventually become self-sufficient, a sole proprietorship is the best option. Loss of control is one of the factors that can cause a relationship to break down, with disastrous consequences.

2.2 Liabilities

If a person runs a solo business, he doesn't have to share profits or liabilities with others. However, in a relationship, he would have to share gains and debts, even though they were incurred by another partner. This can place a strain on his accounting records as well as his finances. In essence, he can be held responsible for the business decisions made by partner.

When considering the drawbacks of a partnership company, this may be one of the most important factors to consider. The partners are personally liable for debts and losses incurred if the business does not have a different legal character. As a result, if the business encounters difficulties, the personal assets could be at risk of being seized, which would not normally be the case if the company were a limited liability company.

2.3 Emotional Issues

Both partners in a relationship company may not be equally satisfied with each other and may encounter problems. On the business unit, both have different emotions. The partners' relationships are strained. Don't ignore feelings when weighing the benefits and drawbacks of a partnership. Different points of view or unequal business effort can lead to conflict. Each of the partners will not be able to carry his own weight. He can easily avoid emotional issues by finding a compatible partner, searching for someone who shares his vision, has similar ideas to him, has the same ethic as he, and knows how to manage partner's emotions. This will help him avoid issues in the future. He would not encounter these problems in a sole proprietorship.

2.4 Decision

A sole proprietorship will make all of the business unit's decisions quickly. However, in a partnership market, decisions can take longer because you must consult with partners. Assume that if a partner disagree with any decision, he can spend time negotiating to reach an agreement or consensus. It's possible that this will result in missed opportunities. It would usually irritate a partner who has become used to making all of their company's decisions.

2.5 Profit

While a sole trader receives all of the profits from their venture, profits from a partnership must be shared with the other partners. "By default, under the Partnerships Act 1890, profits are shared equally, although that position can be amended by a partnership agreement". Equally sharing the profit can raise difficult questions. "What happens when one partner is seen to be putting in less time and effort into the partnership, but still taking their share of the profits? It's easy for resentment to occur if there doesn't appear to be a fair balance between effort and reward".

This study is a case study that included 50 partnership businesses in the District Pulwama, Jammu and Kashmir, India. The various factors above mentioned in section 2 are some disadvantages while doing partnership business. The purpose of this study is to investigate the effects of factors such as loss of autonomy, decision, liabilities, profit, and emotional issues on partnership business units. The samples were gathered through face to face and through phone call of different partnership business unit and were found that maximum partnership business is satisfied with their partners. Some statistical tools such as ANOVA and Tukey HSD Test were used to find the whether there is any significant difference between the factors and partnership business.

3. Methodology

One way ANOVA tells you about whether there is any difference among the levels of independent variable but it won't tell you which is different. In case, if your levels of independent variable are significant f-statistics, you may need to run a Tukey HSD (Tukey's Honestly-Significant Difference) post hoc test to figure out how the group levels differ from one another. Actually, it is pair-wise post hoc testing to determine whether there is any significant difference between the mean of all possible pairs using a studentized range distribution. It tests each and every possible pairs of all levels of independent variables (groups). At beginning, the “Tukey test” was called the “Honestly significant difference test” or simply the “T test” because it was based on the t-distribution (Dunn 1961). It is noted that the Tukey test is based on the same sample counts between groups (balanced data) as ANOVA.

This research is a case study that included 50 partnership businesses (SME-small and medium enterprises) in the District Pulwama, Kashmir valley, India. The information relevant to the aim of study that is to find the impact of various variables such as loss of autonomy, decision, liabilities, profit, and emotional issues were gathered and reviewed from partners through personal interviews.

Plug in your Z-score, standard of deviation, and confidence interval into the sample size use this sample size formula:

Sample Size = (Z-score)2 * StdDev*(1-StdDev) / (margin of error)2

Where:

Confidence level into a Z-score. Here are the Z-scores for the most common confidence levels:

- 90% – Z Score = 1.645
- 95% – Z Score = 1.96
- 99% – Z Score = 2.576

Standard deviation: This step asks you to estimate how much the responses you receive will vary from each other and from the mean number.

Confidence level: It deals with how confident you want to be that the actual mean falls within your margin of error.

The margin of error (confidence interval) is expressed in terms of mean numbers. You can set how much difference you’ll allow between the mean number of your sample and the mean number of your population.

Assuming you chose a 90% confidence level, population size 700 (say), 0.5 standard deviation, and a margin of error (confidence interval) of +/- 10%. Therefore total number of samples required is approximate 50.

Using ANOVA and post hoc Tukey HSD multiple comparison method were to check whether there is any significant difference between the groups or not.

3.1 Hypothesis

From the Figure 1, hypotheses were formed to examine the relationship between the elements of partnership and outsourcing failure in partnership business.

- H0: There is no significant relationship between loss of Autonomy and partnership business.
- H0: There is no significant relationship between profit and partnership business.
- H0: There is no significant relationship between decision and partnership business.
- H0: There is no significant relationship between liabilities and partnership business.
- H0: There is no significant relationship between emotional issues and partnership business.

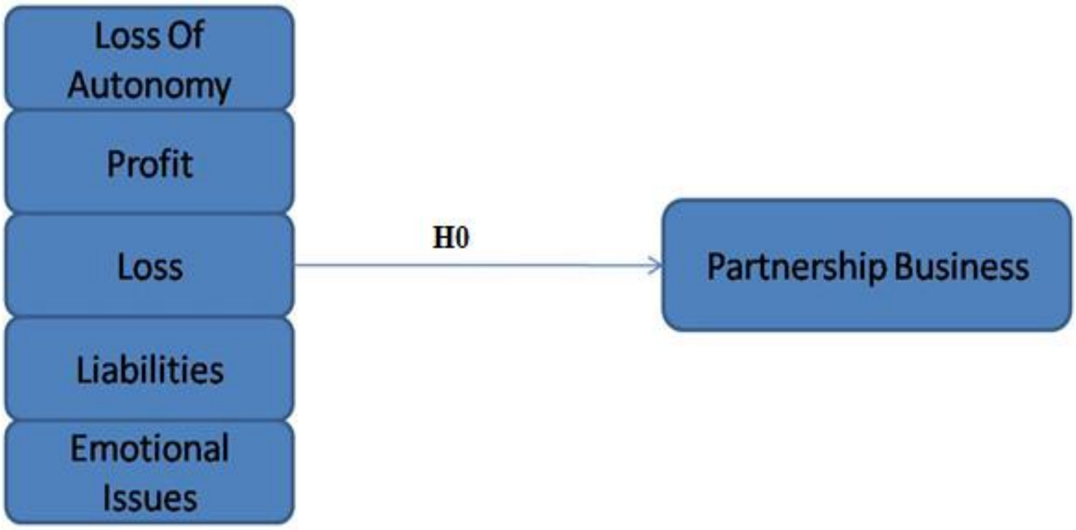

Figure 1. Factors Effects on Partnership Business

4. Result and Analysis

4.1 Descriptive Statistics

Descriptive statistics of five independent parameters (loss of autonomy, decision, liabilities, profit and Emotional issues) treatments:

Table 1. Descriptive Statistics

Treatment	Loss of autonomy (LA)	Decision (D)	Liabilities (L)	Profit (P)	Emotional Issues (EI)	Pooled Total
Observations N	50	50	50	50	50	250
Sum $\sum x^2$	60	62	55	60	113	350
Mean $\bar{x}$	1.2	1.24	1.1	1.2	2.26	1.4
Sum of Squares SS$\sum x_i^2$	134	140	111	126	341	852
Sample variance s^2	1.2653	1.2882	1.0306	1.1020	1.7473	1.4538
Sample standard deviation s	1.1249	1.135	1.0152	1.0498	1.3219	1.2057
Standard deviation of mean $SE_{\bar{x}}$	0.1591	0.1605	0.1436	0.1485	0.1869	0.0763

The mean of the factors emotion issues i.e., 2.26 above than 2, which shows that the factors impacts more in a partnership business and the partners are not satisfied with this factors. Other factors (loss of autonomy, decision, liabilities and profit) having average below 2 which implies that are satisfy with their business partners.

Table 2. ANOVA

Source	Sum of Squares SS	Degree of Freedom DF	Mean Square MS	F-Statistics	p-value
Treatment	46.76	4	11.69	9.0853	7.37E-07
Error	315.24	245	1.2867		
Total	362	249			

Conclusion from ANOVA (Table 2): The p-value corresponding to the F-statistic of one-way ANOVA is lower than 0.05, suggesting that the one or more treatments are significantly different. It means we can reject the null hypothesis. (The p-value of 7.37E-07 indicates that we can reject the null hypothesis and conclude that the five means are not all equal.)

However, ANOVA test results don't map out which groups are different from other groups. As you can see from the hypotheses above, if you can reject the null, you only know that not all of the means are equal. Sometimes you really need to know which groups are significantly different from other groups!

Post hoc tests are an integral part of ANOVA. When you use ANOVA to test the equality of at least three group means, statistically significant results indicate that not all of the group means are equal. However, ANOVA results do not identify which particular differences between pairs of means are significant. Use post hoc tests to explore differences between multiple group means while controlling the experiment-wise error rate. The Tukey HSD comparison tests follow. These post-hoc tests would likely identify which of the pairs of treatments are significantly differrent from each other.

4.2 Tukey HSD Test

The p-value corresponding to the F-statistic of one-way ANOVA is lower than 0.01 which strongly suggests that one or more pairs of treatments are significantly different. We have five treatments, for which we shall apply Tukey's HSD test to each of the 10 pairs to pinpoint which of them exhibits statistically significant difference.

4.2.1 Post-hoc Tukey HSD Test Results

k=5 treatments

degree of freedom = 245

critical values of the studentized range Q statistic:

$$Q_{critical}^{\propto=0.01,k=5,df=245} = 4.6541$$
$$Q_{critical}^{\propto=0.05,k=5,df=245} = 3.8866$$

We present below color coded results (red for insignificant, green for significant) of evaluating whether $Q_{i,j} > Q_{critical}$ for all relevant pairs of treatments. In addition, we also present the significance (p-value) of the observed Q-statistic $Q_{i,j}$. The algorithm used here to calculate the critical values of the studentized range distribution, as well as p-values corresponding to an observed value of $Q_{i,j}$, is that of Gleason (1999). This is an improvement over the algorithm deployed in the R statistical package.

Table 3. Tukey HSD Results

Treatments Pair	Tukey HSD Q Statistic	Tukey HSD p-Value
LA vs D	0.2493	0.8999947
LA vs L	0.6234	0.8999947
LA vs P	0.0000	0.8999947
LA vs EI	**6.6077**	**0.0010053**
D vs L	0.8727	0.8999947
D vs P	0.2493	0.8999947
D vs EI	**6.3584**	**0.0010053**
L vs P	0.6234	0.8999947
L vs EI	**7.2311**	**0.0010053**
P vs EI	**6.6077**	**0.0010053**

The p-value identifies the group comparisons that are significantly different while limiting the family error rate to your significance level. Simply compare the adjusted p-values to significance level. When adjusted p-values are less than the significance level, the difference between those group means is statistically significant. Importantly, this process controls the family-wise error rate to your significance level. It is confirmed that this entire set of comparisons collectively has an error rate of 0.05/0.01. In the output above, pair LA vs EI, D vs EI, L vs EI and P vs Ei are statistically significant while using a family error rate of 0.05.

4.3 Validation

- **Test power**

The test priori power is strong: 0.8983

- **Equality of variances**

The tool used the Levene's test to assess the equality of variances.

The population's variances consider to be equal. (p-value = 0.312). Levene's test power consider to be strong (0.90).

The groups' size consider similar. (The ratio between the bigger group and the smaller group is: 1.00)

The ANOVA test consider to be robust to the homogeneity of variances assumption when the groups' sizes are similar.

- **Normality assumption**

The assumption was checked based on the Shapiro-Wilk Test. (α=0.05). It is assumed that all the groups distribute normally.

5. Conclusion

Doing a partnership business have lots of advantages and disadvantages also, this study focused only on some factors that impacts on business while doing partnership business. There are various factors that we studies in this paper, i.e., loss of autonomy, decision, liabilities, profit and Emotional issues. It was found that only one factor that is emotional issues that impacts more in a partnership business and the partners are not satisfied with this factor. Also we observed that in a partnership business partners are not satisfied with each other for few years but once mutually understanding done between the two partners after that business works well.

Future Study: There are also some various factors that impacts on partnership business, we will consider those factors in future.

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