

# Partnerships between SMEs and MNEs on Foreign Industrial Markets: A Strategy to Reduce the Liability of Foreignness

Pascale Bueno Merino (Corresponding author)

Normandy Business School

30 rue de Richelieu, 76087 Le Havre Cedex, France

E-mail: p.bueno@em-normandie.fr

Samuel Grandval

University of Le Havre, Nimec

25 rue Philippe Lebon, 76600 Le Havre, France

E-mail: samuel.grandval@univ-lehavre.fr

Received: September 9, 2011

Accepted: April 16, 2012

Published: June 1, 2012

doi:10.5539/ibr.v5n6p53

URL: <http://dx.doi.org/10.5539/ibr.v5n6p53>

## Abstract

By using the example of piggyback arrangements, we focus on the strategic issues of partnerships between exporting innovative SMEs and MNEs on foreign industrial markets. This research looks at two types of managerial contributions. On the one hand, it highlights co-marketing practices for an accelerated penetration and learning of a new foreign market for the SME. On the other hand, it stresses the importance of developing a sustainable management of partnership resources for the MNE in order to rapidly cover new market needs thanks to complementary products from small innovative firms.

**Keywords:** SME-MNE partnership, Liability of foreignness, Alliance portfolio, Firm-specific advantage, Advantage of multinationality

## 1. Introduction

The purpose of this paper is to insist on the role of alliance portfolios in the reduction of the liability of foreignness that MNEs may go through during their development into a new foreign market, owing to local discriminations or barriers which limit their access to information (Hymer, 1976). Such a liability can be overcome by the development of sustainable competitive advantages which are linked to the possession of unique assets (Zaheer, 1995). In order to illustrate our view, we will consider the case of piggyback arrangements, which are international distribution agreements concluded between some exporting innovative SMEs and the business subsidiaries of large industrial groups (Bueno Merino, 2003). Our study, carried out on the French market, is based on the conduction of exploratory interviews enabling a deep analysis of the specificities of such partnerships.

The piggyback arrangement facilitates access to a part of the international competitive intelligence of a large industrial group, *i.e.* to market opportunities detected by its local subsidiaries. Such a real-life case study allows us to better understand exactly what intelligence units do and to develop “a refreshing and useful approach” of how intelligence is practised rather than how it ought to be practised (Wright & Calof, 2006). The piggyback arrangement also presents strategic advantages for the large industrial group. It favours the execution of a solution selling to a joint local clientele which will buy a complete offer of intermediate products, simultaneously made up of the products of the MNE and the products of the SME. This combination of complementary products within a single industrial offer leads to a wider satisfaction of the requirements of the local clientele than through the sales of separate products. The MNE thus increases the perceived value of its industrial offer and therefore its business negotiation capacity (Bueno Merino, 2003).

According to Huster (2005), competitive intelligence can be regarded as “the ability to fully understand, analyse, and assess the internal and external environment associated with customers, competitors, markets, industry and use the acquired knowledge for long and short term strategic planning”. However, as regards foreign industrial markets, this passage from information to action, *i.e.* the capacity of the MNE to be the first to meet with the new requirements

identified by its local subsidiary, is very often conditioned by the immediate access to complementary external resources, particularly when this involves solution selling on a foreign market.

Competitive intelligence, may we recall, has a praxeologic vocation: it is necessarily directed towards action. Calof and Skinner (1999) have specially insisted on this praxeologic vocation: “Competitive Intelligence is actionable recommendations arising from a systematic process involving planning, gathering, analysing and disseminating information on the external environment for opportunities, or developments that have the potential to affect a company’s or country’s competitive situation”. This capacity to go from the knowledge of a market opportunity to its fulfilment will depend on the capacity of the MNE to quickly find innovative partners likely to complete its industrial offer. Putting in place of a sustainable management of partnership resources improves under these conditions the actionable character of the competitive intelligence generated by the large industrial group.

This article will be organised in four parts. First of all, we will present the main concepts retained within the scope of this research (part 2) as well as the methodology of investigation (part 3). Then, we will submit for analysis and discussion the piggyback arrangement which is a specific form of symbiotic marketing (part 4). We will initially emphasise the strategic advantages of the piggyback arrangement for the MNE in the reduction of the liability of foreignness. We will subsequently study the role of trust in the efficacy and the viability of the piggyback arrangement. Last but not least, by way of conclusion (part 5), we will simultaneously consider theoretical and managerial contributions and the limitations of our work.

## 2. Conceptual Aspects

### 2.1 Alliance Portfolios: A Strategy to Overcome the Liability of Foreignness

According to Hymer (1976), MNEs may experience difficulties in the implementation of their internationalization strategy owing to barriers which limit their access to information (linguistic, cultural, sectorial, etc.) or discriminations by government, consumers and suppliers in the host country. Some studies have revealed the existence of a “liability of foreignness” at the beginning of their internationalization process via foreign direct investment (Zaheer, 1995; Zaheer & Mosakowski, 1997; Miller & Parkhe, 2002; Mezas, 2002; Johanson & Vahlne, 2009). SMEs also know this problem (Lu & Beamish, 2001, 2004, 2006; Majocchi & Zucchella, 2003). For Zaheer and Mosakowski (1997), the liability of foreignness arises mainly from the foreign firm not being sufficiently embedded in the information networks in the country of location. More precisely, the liability of foreignness can be defined as the costs of doing business abroad that result in a competitive disadvantage for a subunit. That is to say, all additional costs a firm operating in a market overseas incurs that a local firm would not incur (Zaheer, 1995). The degree of liability of foreignness influences the market entry strategy (Chen *et al.*, 2006).

This disadvantage can be overcome by the development of compensation mechanisms. According to Zaheer (1995), to reduce the liability of foreignness and compete successfully against local firms, MNEs need to provide their overseas subunits with some specific-firm advantages, often in the form of organizational or managerial capabilities. The liability of foreignness can be offset by the possession of unique assets which will constitute some superior sources of sustainable competitive advantages over local firms. For Nachum (2003), firm-specific advantages arise from the possession of certain intangible assets or capabilities such as patents, trademarks, and management skills. These are the mechanisms that foreign firms use to compensate for the lack of access to local resources and for the additional costs associated with doing business abroad.

Nachum also insists on the advantages of multinationality. These advantages are linked on the ability to coordinate multiple and geographically dispersed value-added activities, to access resources in different locations, to obtain information from multiple environments, to spread risk, and to benefit from economies of scale and scope arising from large-scale production. The advantages of multinationality depend notably on the intensity of the internal linkages between the MNE and its subsidiaries: “The access of affiliates to the stock of information and commercial knowledge possessed by the network of the organization of which they are part provides them with considerable advantage over indigenous firms, who are deprived of such sources of information.” (p.1206).

Seeking recourse to alliance portfolios may be an efficient way to create value (Lavie, 2008) and to overcome the liability of foreignness by the development of compensation mechanisms. The ability to manage a portfolio of external resources can be assimilated to an intangible capability at the origin of a competitive advantage. For Gulati (1999), a firm’s alliance network can be thought of as an inimitable and non-substitutable resource as well as a means to access unique capabilities. The stability of the interorganizational cooperation is therefore principally linked to the motivation of each partner and the climate of mutual trust, influenced in particular by relational proximity, in other words by the frequency of contacts between the partners. Owing to its tacit and inimitable nature, trust, according to Barney and Hansen (1995), may constitute a relational asset at the origin of a sustainable competitive advantage. The sustainability of the competitive advantage thus obtained implies that there is an active management of this relational

asset. This active management will simultaneously concern two aspects: the quality of the relation and the complementarity of the skills. The existence of mutual interests does not suffice for explaining the stability of the cooperation over time. It is also influenced by the quality of inter-personal relations.

### *2.2 Characteristics of the Piggyback Arrangement: A Form of Symbiotic Marketing*

Symbiotic marketing (Adler, 1966; Varadaradjan & Rajaratnam, 1986) points out the interorganizational collaborations earmarked for optimising the downstream links of the value chain: marketing, sales and client services. This specific form of interorganizational cooperation has been the subject of various works: one thus speaks indifferently of “co-marketing alliances” (Bucklin & Sengupta, 1993), of “selling alliances” (Brock Smith, 1997; Brock Smith & Barclay, 1997), or even of “lateral partnerships” (Morgan & Hunt, 1994). The piggyback arrangement is a form of symbiotic marketing owing to the absence of the input/output link between the partners (Bueno Merino, 2003). As opposed to the relations between a sub-contractor and a contractor (*i.e.* wherein the semi-finished product of one is integrated in the production of the other), both partners, the exporting SME and the local subsidiary of the MNE, do not maintain any vertical relations. This involves an agency relationship and not a vertical relationship characterised by a transfer of property rights from the supplier to the client. Moreover, the piggyback arrangement is concluded between non-competitor companies. The products earmarked for the same client segment should be complementary during the partnership relationship in order to avoid any risk of cannibalization of the offer.

Piggyback arrangements are formalised by commercial agent contracts signed with one or several distribution subsidiaries and characterised by mutual exclusivity. They generally come about in response to new requirements expressed by the foreign clientele and identified by a distribution subsidiary of the MNE. The local subsidiary explores the market on behalf and for the account of the exporting SME, negotiates with the foreign client and takes care of order taking. Thanks to the flow of information originating from the representation activity of the local subsidiary, this partial outsourcing of the distribution activity facilitates its quick penetration into the foreign market. The SME does not outsource the entirety of the activities constituting the distribution link. As per the terms of the contract, it should take charge of post-contractual operations, *i.e.* the operations related to the execution of the sales contracts signed with foreign clients. The exporting SME takes charge of billing, administrative and custom formalities, delivery of the products, and technical assistance of the foreign client. The SME therefore only seeks recourse to the “transactional channel” (Bowersox *et al.*, 1980) from its partner, made up solely of information flows (information from the SME on the foreign demand, information from foreign clients on the SME’s offer, contract negotiations, etc.), as opposed to the “logistic channel”, made up on its part by physical flows generated by the operations pertaining to routing and processing of products (transport, storage, packaging, etc.).

Contrary to the small independent business intermediary, the MNE can vouch for a wide geographical distribution of the SME’s product by multiplying the number of commercial agent contracts signed with the SME. Within the scope of marketing an innovative niche product, this wide-scale distribution is all the more justifiable. The piggyback arrangement allows the exporting SME to save on transaction costs related to the search of an independent local intermediary competent in technical matters. For example, an export manager noted: “*For a niche product, it is necessary to refer to a real expert. We were in need of a competent relay. [...] For a small enterprise, Germany is a distant market.*” Seeking recourse to this partnership facilitates rapid introduction of the SME’s products on the foreign market and allows the lifting of three kinds of barriers at entry: linguistic, cultural and sectorial. Consequently, the transaction costs linked to the search for new foreign industrial clients (prospection costs and negotiation expenses) are also minimised. In this fashion, the exporting SME saves on expenses related to travelling, translation, study of the foreign legal system, drawing up of contracts, etc. The piggyback arrangement also entails very few specific investments. The partners benefit from the already existing assets: the local sales force of the industrial group as well as the technology of the SME. The joint objective is to make a new product available as quickly as possible to the foreign clientele. Unrecoverable costs are in fact restricted to expenses relating to relational proximity generating trust.

### **3. Data and Methodology**

In order to collect our data, we conducted several case studies which allowed an in-depth exploration of an inter-organizational practice which is rare and which has hardly been studied in the past. Field research, which is defined as an in-depth study of real-world phenomena through direct contact with the organizational participants, provides more than mere descriptions of practice. It is “especially effective for building theory, particularly through early, exploratory investigations where the phenomena are not well understood and where the relevant variables and relationships might not even be identified or conceived of yet” (Merchant & Van der Stede, 2006). It yields new ways of classifying phenomena, richer explanations of why or how certain phenomena occur.

Two MNEs and four French exporting SMEs of the same nationality participated in our study. These enterprises belong either to the field of chemical industries or metallurgical industries. The foreign markets targeted by the piggyback arrangements under study are located in Europe (Germany, Poland, Hungary, etc.) or in farther removed economic zones (China, Japan, Russia, etc.). In order to evaluate the pertinence of our primary data, we have triangulated them with our internal (analysis of the contents of a standard piggyback arrangement contract) and external (export-related trade press) secondary data. Furthermore, we proceeded with a repetition of a part of our exploratory interviews and a second reading of the cases by the respondents. In the majority of the cases, we conducted several semi-direct interviews with each interviewee: structured guides were drawn up for taking up a series of themes that were defined beforehand.

Considering the rarity of previous works, our research study is above all exploratory in nature. We have favoured the internal validity of our results (pertinence and exactness) over their external validity (level of generalization). In order to justify the internal validity of our results, we must emphasise the characteristics of our sample:

- The piggyback arrangement is practised regularly in France by only two large industrial groups: *Rhodia* (300 arrangements; 70 business subsidiaries abroad; 80 countries covered) and *Pechiney/Alcan* (250 arrangements; 40 business subsidiaries abroad; 65 countries covered). Both these groups accepted to respond to our various interrogations. Created on 1st January 1998 and stemming from the bringing together of chemistry, fibre and polymer-related activities of *Rhône-Poulenc*, the *Rhodia* group is one of the world leaders of specialised chemistry. It became emancipated in October 1999 after the creation of *Aventis* (*Sanofi-Aventis* in 2005) whose activity is devoted to the life sciences (pharmacy, animal and plant health). The *Pechiney* group henceforth belongs to the Canadian group *Alcan* ever since December 2003.
- We simultaneously questioned MNEs as well as innovative SMEs: this composition of our sample paved the way for a cross-sectional analysis of viewpoints. The cross-sectional analysis accelerated the process of “theoretical saturation” (Glaser & Strauss, 1967). The impression that the last unit of observations was not really getting us any new elements came up quite fast. The cross-sectional analysis of viewpoints enabled us to respond to a great number of interrogations that were in our mind.

As we mentioned above, only two MNEs have developed a piggyback arrangement portfolio in France and created an ad hoc structure to manage them. The piggybacking strategy is also practiced by a small number of French exporting SMEs: only a few hundred out of 88000 exporting companies with less than 250 employees in 2008 (Note 1). Indeed, this strategy is dedicated primarily to SMEs which have designed an innovative niche product. Consequently, the piggybacking strategy is characterized by a very low frequency of observation. Moreover, the practice is not really mediatized and the piggyback arrangement portfolio composition is kept confidential since MNEs need to protect “the inimitability of their alliance network” (Gulati, 1999). For all these reasons, it remains difficult to use statistical techniques as a research method.

#### 4. Empirical Findings and Discussion

##### 4.1 Managing a Portfolio of External Resources: A Firm-specific Advantage for the MNE

Competitive intelligence facilitates the detection of new opportunities in foreign markets. Going from information to action is very often conditioned by access to external complementary resources. This is particularly so in industrial circles where it involves solution selling to local clients. Seeking recourse to already existing innovative products allows reduction of the response time of the new requirements detected on foreign markets. The capacity of the MNE to be the first to meet with these new requirements will depend on its capacity to rapidly find innovative partners who are likely to complete its industrial offer. The canvassing of potential partners takes some time. The existence of a slack of partnership resources at the disposal of the large group then assumes its full importance. This surplus of resources is linked to the ability of the MNE to coordinate on an international scale some partnership monitoring practices. By facilitating access to external complementary resources, partnership monitoring improves under these conditions the actionable character of the competitive intelligence generated by the MNE. According to our interviewees, taking part in specialized fairs (sectorial or export exhibitions) is an efficient way to identify some potential partners.

The piggyback arrangement is an inter-organizational practice set in place in order to favor the execution of a solution selling on a foreign market. The solution selling denotes the joint sale of products manufactured by various companies. This makes it possible to meet with the client requirements with a much wider scope than through the sale of separate products. The respective suppliers temporarily join forces with one another in order to meet with the requirements of the same clientele (Eades, 2004; Bosworth, 1995). The business synergy originating from the temporary association of two independent activities (earmarked however for the same client segment) permits value creation for each supplier. This solution selling, by allowing for a wider satisfaction of the foreign client through the combination of

complementary products, facilitates the implementation of a consumer-oriented strategy. The piggyback arrangement enables MNE to get quickly adjusted to technological changes by allowing the revitalization of its industrial offer through the integration of innovative products designed by outside economic entities. It also makes it possible to achieve economies of scale through increase in the number of products marketed by the local subsidiaries of the major group: “*The profitability of the subsidiaries is improved by the reduction in fixed unitary costs* (Rhodia spokesperson)”.

The proposal of an overall offer allows to build customer loyalty from among the existing clientele or else to win over new clients who will simultaneously buy the SME’s products and the products of the MNE. By proposing a solution to its foreign industrial client, *i.e.* a complete offer of intermediate products, the MNE improves the perceived value of its offer and therefore its business negotiation capacity. For example, Rhodia spokesperson declared: “*The piggyback comes within the scope of the group’s business strategy. The idea is to improve the marketing impact by offering a solution to the clientele that is to say a complete range of products, which tends to do away with price wars.*” This value creation enables the MNE to limit the risk of discrimination by consumers (Hymer, 1976) at the beginning of the internationalization process. It also justifies the choice of the piggyback arrangement, by the SME, as a way to enter a new international market. According to Pan (2004), consumer-related factors shall be the most important criteria in selecting partner prior to adopt other factors into consideration such as partner-related factors and task-related factors: “International strategic alliance, as part of the firm’s strategic decision, shall be formed and managed to serve for the ultimate mission, customer satisfaction.”

#### 4.2 Managing an Electronic Distribution Platform: An Advantage of Multinationality for the MNE

At the end of 2003, just before its takeover by the Canadian company *Alcan*, the *Pechiney* group decided to interconnect the entirety of its export subsidiaries in order to optimise the marketing potential of new products, the group’s products, and the products designed and manufactured by innovative complementary SMEs. Our interviewee noted: “*The creation of an electronic platform will favor the synergy between agencies. Our strength lies in our physical presence worldwide.*” The group is also gradually putting in place on-line piggyback arrangement-related actions which consist in multiplying computerised exchanges between the local subsidiaries located abroad, between subsidiaries and mandator companies, and between subsidiaries and industrial clients. This new electronic organization makes it possible to improve the efficiency of the competitive intelligence system set in place for managing the piggyback arrangement portfolio of the large group. It meets with several objectives:

- *Electronic listing of the products marketed by the group.*
- *Distant learning of local agencies:* educating the local sales force about the technical characteristics of the SME’s product can henceforth be done on-line through electronic transmission of fact sheets.
- *Making available of sales visit reports on the site:* local subsidiaries can henceforth supply a business development statement online.
- *The creation of a forum:* this forum aims at favoring dialogue between local agencies at the time of the assessed marketing potential of a new product.

The interconnection of the 40 export subsidiaries of the MNE improves the flow of information and therefore the identification of new opportunities in foreign markets: “*This also involves tapping a market competence. The technology watch of the group, through its local relays, permits identification of new product-market pairings which do not necessarily belong to the 40 business units of the enterprise. With this hypothesis, we scout for the appropriate product competence and we take charge of its marketing in various ways: agency contract, trade, joint-venture, etc.*” The MNE thus mobilizes the production of know-how of an outside entity. “*This type of project management is facilitated by our electronic organization.*” It rests on the effectiveness of the international information network of the industrial group: “*We mobilise our network of experts specialised per sub-market and tasked with detecting new business opportunities.*” The creation of an electronic platform enables the MNE to intensify the internal linkages and to compensate the liability of foreignness via the strengthening of the advantages of multinationality.

#### 4.3 The Role of Trust and Communication in the Piggyback Arrangement Management

Owing to the absence of the input/output link between the partners, the stability of the piggyback arrangement is principally dependent on the existence of a climate of mutual trust. The works carried out in the matter of symbiotic marketing particularly insist upon the following specificity: the absence of the input/output link renders the symbiotic cooperation more fragile, more inter-personal and more voluntary, as compared to the vertical cooperation between the client and the supplier (Brock Smith, 1997). The stability of the symbiotic cooperation is therefore principally linked to the motivation of each partner and the climate of mutual trust, influenced in particular by the relational proximity, in other words by the frequency of contacts between the exporting SME and its representative agent. This

relationship between mutual trust and stability of the partnership over time is also applicable to our subject of study. However, it would seem that the voluntarist behaviour of the SME has a specific effect on the development of cooperation and the maximization of the transfer of information from the local subsidiary to the SME. In fact, considering the existence of a plurality of principals represented by the local subsidiary of the MNE, the SME should strive to attract the attention of its business intermediary. Its voluntarist behaviour constitutes a distinct advantage and has an influence on the effectiveness of the business representation, in other words on the time devoted by the local subsidiary specifically to the marketing of the products of the SME.

- “*Inter-personal relations are a guarantee of the success of the agreement. [...] The SME should display a voluntary behaviour and therefore operate a follow-up of the work of the local subsidiary* (spokesperson Rhodia).”
- “*The SME should take the initiative for having exchanges. When we did not have any news after a certain amount of time, we used to contact them once again* (spokesperson in a SME).”

The piggyback arrangement also acts as a source of learning for the exporting SME. Access to information is a strategic resource in the internationalization process, and a source of learning for the exporter (De Pelsmacker *et al.*, 2005). This resource will condition not only the foreign market penetration but also the growth prospects of the export company on this new market, thank to the unearthing of the business opportunities. Interorganizational cooperation becomes a strategy geared towards outsourced production of information on the foreign market (Slater & Narver, 2000), which can be supplemented with information generated by official bodies (Toften & Rustad, 2005; Diamantopoulos *et al.*, 1993). Cooperation with a native partner in fact facilitates an accelerated learning of the local routines (Barkema *et al.*, 1996; Madhok, 1997) which by their very definition constitute an intangible knowledge that is difficult to acquire without the intervention of an on-site relay. The interaction between the exporting SME and the subsidiary of the MNE permits the identification of the foreign clientele and the main competitors, an estimation of growth prospects, and the initiative of the SME in matters of local business customs. More than as an efficient organizational form, interorganizational cooperation can be likened to a strategic resource (Madhok & Tallman, 1998). Madhok (1997) explains seeking recourse to interorganizational cooperation by the failure of the hierarchy. It is not the probability of an opportunistic behaviour that justifies the selection of such a mode of governance but an insufficiency of routines concerning the local customs. The author likens the local know-how to an idiosyncratic capacity. The exporting firm will try, through the interorganizational cooperation, to acquire new knowledge and subsequently incorporate it in routines in consonance with the local context.

Communication contributes in a major way to the building of trust (Mohr & Nevin, 1990; Morgan & Hunt, 1994) and namely within the scope of cooperation between the exporter and the business intermediary (Karunaratna & Johnson, 1997). It may be defined as the sharing, both formal and informal, of significant and timely information (Anderson & Narus, 1990), which may be at the origin of a new competitive advantage. Communication constitutes a non-redeployable investment in terms of time and personnel (Ross, Anderson & Weitz, 1997) and allows collection of data on the skills, the manners of proceeding, the objectives and the motivation of the partner. For Das and Teng (1998), a mutual, prompt and open communication favours the development of relational trust considering the interaction process that it generates and based on which the contracting parties institute shared values and standards. The latter will allow the contracting party to better comprehend its partner’s objectives, and in other words the motives of its conduct. Communication is a process of adjustment through which individuals jointly fashion their relationship (Van de Ven & Walker, 1984). In the piggyback arrangement, the exchange of information is facilitated by the existence of a sectorial culture that is common to the SME and the local subsidiary. The inter-relationships in terms of business (technical expertise and client expertise) in fact favour the emergence of shared significations (Van de Ven & Walker, 1984).

Furthermore, communication tends to even out any possible conflicts between partners and facilitates the collection of data on the skills and motivations of the co-contracting party. In other words, the exchange of information enables the update of expectations from the partner. Nevertheless, as per Anderson and Weitz (1989), the frequency of inter-personal relations tends to decrease with the development of mutual trust. The strengthening of trust in the course of time ends up with putting in place of an “efficient communication”. This implies that once trust has been established, the intensity of communication diminishes in the course of time. The contracting parties then content themselves with taking stock of the situation from time to time: “[...] *older relationships involve less communication rather than more, [...] suggesting the parties have developed such a good understanding of each other that they can make their points more efficiently (i.e. with a lower level of communication).*” Intensive at the beginning of the relationship, communication becomes steady with the strengthening of mutual trust. This relational characteristic can also be observed in the case of the piggyback arrangement: “*Trust contributes to the success of the agreement, this is highly important. We meet together and take stock. [...] We discuss, we agree with each other on certain points and then we*

*just let it get on with itself. It is to do with feeling* (spokesperson in a SME).” Trust and communication therefore maintain a mutual relationship. Communication brings about trust which, on its part, influences communication.

### 5. Conclusion, Theoretical and Managerial Contributions and Research Limitations

This research devoted to the link between alliance portfolio of the MNE and reduction of the liability of foreignness, through the example of the piggyback arrangements, has made it possible to generate several results:

- 1/ The liability of foreignness can be offset thanks to the development of two types of sustainable competitive advantages for the MNE: a firm-specific advantage and an advantage of multinationality. In the case of piggyback arrangements, the ability to constitute and to manage a portfolio of external resources generates a firm-specific advantage. The constitution and maintenance of a slack of partnership resources facilitates the passage from information to action, *i.e.* the capacity to seize market opportunities. Moreover, the competitive intelligence of the MNE is enhanced by the virtualization of its international distribution system, owing to the electronic inter-connection of all the subsidiaries established abroad. The creation of this electronic distribution platform, by intensifying the internal linkages, strengthens the advantages which are linked to multinationality.
- 2/ The viability and the efficacy of the piggyback arrangement depend on the intensity of the interaction between the SME and the local subsidiary and therefore on the establishment of a climate of mutual trust between partners. The voluntarist behaviour of the SME has a very specific effect on the maximization of the information transfer brought about by the piggyback arrangement and on its viability.

The main theoretical contribution of this research is the study of a particular form of symbiotic marketing and its issues in terms of sustainable competitive advantages on foreign markets. This specific form of interorganizational cooperation has been the subject of various works: one thus speaks indifferently of “co-marketing alliances” (Bucklin & Sengupta, 1993), of “selling alliances” (Brock Smith, 1997; Brock Smith & Barclay, 1997), or even of “lateral partnerships” (Morgan & Hunt, 1994). Symbiotic marketing is used to optimize the downstream links of the value chain: marketing, sales and client services. The aim of this paper is to focus on the strategic issues of symbiotic partnerships between exporting innovative SMEs and MNEs on foreign industrial markets. The study of the nature of competitive advantages generated by such partnerships is essential. According to the literature dedicated to the liability of foreignness, MNEs need to develop some compensation mechanisms to overcome this liability (Zaheer, 1995). In other terms, MNEs need to provide their subunits with some sustainable competitive advantages over local firms which may be some “firm-specific advantages” or some “advantages of multinationality” (Nachum, 2003). Therefore, this literature facilitates the understanding of the nature of competitive advantages which may be developed on a foreign market to compete successfully against local firms. It is particularly relevant for our analysis of competitive advantages generated by a piggyback arrangement portfolio since this portfolio of external complementary resources is used to cover new market needs on foreign markets. Note that the liability of foreignness is apprehended dynamically in this research. Indeed, our aim is to understand how the liability of foreignness of the MNE can be offset in a sustainable way on a foreign market. We focus on the sustainability of competitive advantages generated by the existence for the MNE of a portfolio of external complementary resources. Such a portfolio is based on the development of partnerships concluded with small innovative partners. This qualitative research allowed the construction of two research propositions dedicated to the strategic issues for the MNE of developing a piggyback arrangement portfolio:

- *P1: Piggyback arrangement portfolio generates a firm-specific advantage for the MNE over local firms.*
- *P2: Piggyback arrangement portfolio generates an advantage of multinationality for the MNE over local firms.*

This research is also characterised by two categories of managerial contributions: contributions directed towards managers of SMEs and contributions directed towards managers of MNEs. It in fact allows to raise awareness among the managers of SMEs about co-marketing practices and more specifically as regards the stakes involved in piggyback arrangements in an accelerated learning of foreign markets. It also allows to raise awareness among the managers of MNEs about:

- the strategic stakes of alliance portfolios in the development of competitive advantages on foreign markets;
- the importance of putting in place of a sustainable management of partnership resources, a condition for the passage from information to action within the context of solution selling on foreign markets.

The small number of enterprises sought out within the scope of this study constitutes the main limitation of this research. Given the small number of French export SMEs concerned by the practice of the piggyback arrangement, this weak point can be minimised only through an endeavour aimed at analytical generalization (Yin, 1990), *i.e.* by an increase in the number of case studies dedicated to this practice. Furthermore, our research study, conducted solely on French territory, does not allow us to give an account of a possible utilization of piggyback arrangements in other

countries. Are French industrialists the only ones to resort to this type of symbiotic marketing? What is the situation in the rest of Europe and on extra-European markets?

## References

- Adler, L. (1966). Symbiotic marketing. *Harvard Business Review*, November-December, 29-41.
- Anderson, E., & Weitz, B. (1989). Determinants of continuity in conventional industrial channel dyads. *Marketing Science*, 8(4), 310-323. <http://dx.doi.org/10.1287/mksc.8.4.310>
- Anderson, J. C., & Narus, J. A. (1990). A model of distributor firm and manufacturer firm working partnerships. *Journal of Marketing*, 54(1), 42-58. <http://dx.doi.org/10.2307/1252172>
- Barkema, H. G., Bell, J. H. J., & Pennings, J. M. (1996). Foreign entry, cultural barriers and learning. *Strategic Management Journal*, 17, 151-166. [http://dx.doi.org/10.1002/\(SICI\)1097-0266\(199602\)17:2<151::AID-SMJ799>3.3.CO;2-Q](http://dx.doi.org/10.1002/(SICI)1097-0266(199602)17:2<151::AID-SMJ799>3.3.CO;2-Q)
- Barney, J. B., & Hansen, M. H. (1995). Trustworthiness as a source of competitive advantage. *Strategic Management Journal*, 15, 175-190. <http://dx.doi.org/10.1002/smj.4250150912>
- Bosworth, M. T. (1995). *Solution selling, creating buyers in difficult selling markets*. New York: McGraw-Hill.
- Bowersox, D., Cooper, M., Lambert, D., & Taylor, D. (1980). *Management in marketing channels*. New-York: McGraw Hill.
- Brock Smith, J. (1997). Selling alliances: issues and insights. *Industrial Marketing Management*, 26, 149-161. [http://dx.doi.org/10.1016/S0019-8501\(96\)00116-2](http://dx.doi.org/10.1016/S0019-8501(96)00116-2)
- Brock Smith, J., & Barclay, D. W. (1997). The effects of organizational differences and trust on the effectiveness of selling partner relationships. *Journal of Marketing*, 61(1), 3-21. <http://dx.doi.org/10.2307/1252186>
- Bucklin, L. P., & Sengupta, S. (1993). Organizing successful co-marketing alliances. *Journal of Marketing*, 57, 32-46. <http://dx.doi.org/10.2307/1252025>
- Bueno Merino, P. (2003). Portage commercial et PMI exportatrice: nature et déterminants de la création de valeur. *Revue Internationale PME*, 16(2), 83-104.
- Calof, J. L., & Skinner, B. (1999). Government's role in competitive intelligence: what's happening in Canada?. *Competitive Intelligence Magazine*, 2(2), 20-23.
- Chen, H., Griffith, D. A., & Hu, M. Y. (2006). The influence of liability of foreignness on market entry strategies: an illustration of market entry in China. *International Marketing Review*, 23(6), 636-649. <http://dx.doi.org/10.1108/02651330610712148>
- Das, T. K., & Teng, B.-S. (1998). Between trust and control: developing confidence in partner cooperation in alliances. *Academy of Management Review*, 23(3), 491-512. <http://dx.doi.org/10.2307/259291>
- De Pelsmacker, P., Muller, M.-L., Viviers, W., Saayman, A., Cuyvers, L., & Jegers, M. (2005). Competitive intelligence practices of South Africa and Belgian exporters. *Marketing Intelligence and Planning*, 23(6), 606-620. <http://dx.doi.org/10.1108/02634500510624156>
- Diamantopoulos, A., Schlegelmilch, B. B., & Tse, K. Y. K. (1993). Understanding the role of export marketing assistance: empirical evidence and research needs. *European Journal of Marketing*, 27(4), 5-18. <http://dx.doi.org/10.1108/03090569310038085>
- Eades, K. M. (2004). *The new solution selling*. New York: McGraw-Hill.
- Glaser, B. G., & Strauss, A. L. (1967). *The discovery of grounded theory: strategies for qualitative research*. New York: Aldine de Gruyter.
- Gulati, R. (1999). Network location and learning: the influence of network resources and firm capabilities on alliance formation. *Strategic Management Journal*, 20(5), 397-420. [http://dx.doi.org/10.1002/\(SICI\)1097-0266\(199905\)20:5<397::AID-SMJ35>3.0.CO;2-K](http://dx.doi.org/10.1002/(SICI)1097-0266(199905)20:5<397::AID-SMJ35>3.0.CO;2-K)
- Huster, M. (2005). Marketing intelligence: a first mover advantage. *Competitive Intelligence Magazine*, 8(2), 13-17.
- Hymer, S. H. (1976). *The international operations of national firms: a study of direct investment*. Cambridge, MA: MIT Press.
- Johanson, J., & Vahlne, J.-E. (2009). The Uppsala internationalization process model revisited: from liability of foreignness to liability of outsidership. *Journal of International Business Studies*, 40, 1411-1431. <http://dx.doi.org/10.1057/jibs.2009.24>

- Karunaratna, A. R., & Johnson, L. W. (1997). Initiating and maintaining export channel intermediary relationships. *Journal of International Marketing*, 5(2), 11-32.
- Lavie, D. (2008). Capturing value from alliance portfolios. *Organizational Dynamics*, 38(1), 26-36. <http://dx.doi.org/10.1016/j.orgdyn.2008.04.008>
- Lu, J. W., & Beamish, P. W. (2001). The internationalization and performance of SMEs. *Strategic Management Journal*, 22(6/7), 565-586. <http://dx.doi.org/10.1002/smj.184.abs>
- Lu, J. W., & Beamish, P. W. (2004). Network development and firm performance: a field study of internationalizing Japanese firms. *Multinational Business Review*, 12(3), 41-61. <http://dx.doi.org/10.1108/1525383X200400015>
- Lu, J. W., & Beamish, P. W. (2006). SME internationalization and performance: growth vs profitability. *Journal of International Entrepreneurship*, 4(1), 27-48. <http://dx.doi.org/10.1007/s10843-006-8000-7>
- Madhok, A. (1997). Cost, value and foreign market entry mode: the transaction and the firm. *Strategic Management Journal*, 18, 39-46. [http://dx.doi.org/10.1002/\(SICI\)1097-0266\(199701\)18:1<39::AID-SMJ841>3.0.CO;2-J](http://dx.doi.org/10.1002/(SICI)1097-0266(199701)18:1<39::AID-SMJ841>3.0.CO;2-J)
- Majocchi, A., & Zucchella, A. (2003). Internationalization and performance: findings from a set of Italian SMEs. *International Small Business Journal*, 21(3), 249-268. <http://dx.doi.org/10.1177/02662426030213001>
- Merchant, K. A., & Van der Stede, W. A. (2006). Field-based research in accounting: accomplishments and prospects. *Behavioral Research in Accounting*, 18, 117-134. <http://dx.doi.org/10.2308/bria.2006.18.1.117>
- Mezias, J. M. (2002). Identifying liabilities of foreignness and strategies to minimize their effects: the case of labor lawsuit judgments in the United States. *Strategic Management Journal*, 23, 229-244. <http://dx.doi.org/10.1002/smj.220>
- Miller, S. R., & Parkhe, A. (2002). Is there a liability of foreignness in global banking? An empirical test of banks' X-efficiency. *Strategic Management Journal*, 23, 55-75. <http://dx.doi.org/10.1002/smj.212>
- Mohr, J., & Nevin, J. R. (1990). Communication strategies in marketing channels: a theoretical perspective. *Journal of Marketing*, 54, 36-51. <http://dx.doi.org/10.2307/1251758>
- Morgan, R., & Hunt, S. D. (1994). The commitment-trust theory of relationship marketing. *Journal of Marketing*, 58, 20-38. <http://dx.doi.org/10.2307/1252308>
- Nachum, L. (2003). Liability of foreignness in global competition? Financial service affiliates in the city of London. *Strategic Management Journal*, 24, 1187-1208. <http://dx.doi.org/10.1002/smj.347>
- Pan, F.-C. (2004). Selecting consumer oriented alliance partner to assure customer satisfaction in international markets. *Journal of American Academy of Business*, 4(1/2), 278-284.
- Slater, S. F., & Narver, J. C. (2000). Intelligence generation and superior customer value. *Academy of Marketing Science*, 28(1), 120-127. <http://dx.doi.org/10.1177/0092070300281011>
- Toften, K., & Rufstad, K. (2005). Attributes of information quality of export market assistance: an exploratory study. *European Journal of Marketing*, 39(5/6), 120-127. <http://dx.doi.org/10.1108/03090560510590764>
- Van De Ven, A. H., & Walker, G. (1984). The dynamics of interorganizational coordination. *Administrative Science Quarterly*, 29, 598-621. <http://dx.doi.org/10.2307/2392941>
- Varadarajan, P. R., & Rajaratnam, D. J. (1986). Symbiotic marketing revisited. *Journal of Marketing*, 50, 7-17. <http://dx.doi.org/10.2307/1251274>
- Wright, S., & Calof, J. L. (2006). The quest for competitive, business and marketing intelligence. *European Journal of Marketing*, 40(5/6), 453-465. <http://dx.doi.org/10.1108/03090560610657787>
- Yin, R. K. (1990). *Cas studies research: design and methods*. Newbury Park, CA: Sage.
- Zaheer, S. (1995). Overcoming the liability of foreignness. *Academy of Management Journal*, 38(2), 341-363. <http://dx.doi.org/10.2307/256683>
- Zaheer, S., & Mosakowski, E. (1997). The dynamics of the liability of foreignness: a global study of survival in financial services. *Strategic Management Journal*, 18(6), 439-464. [http://dx.doi.org/10.1002/\(SICI\)1097-0266\(199706\)18:6<439::AID-SMJ884>3.3.CO;2-P](http://dx.doi.org/10.1002/(SICI)1097-0266(199706)18:6<439::AID-SMJ884>3.3.CO;2-P)

## Notes

Note 1. Cf The OSEO annual report on the development of French SMEs: [http://www.oseo.fr/notre\\_mission/publications/etudes\\_et\\_rapports/generalists](http://www.oseo.fr/notre_mission/publications/etudes_et_rapports/generalists)