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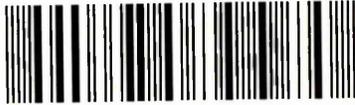
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How Firms Collaborate to Compete Internationally: An Ethnographic Understanding

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fulfilment of the requirements of
Sheffield Hallam University for the
degree of Master of Philosophy

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Abstract

This thesis seeks to develop insights into the nature of inter-organisational collaborations in small and medium sized enterprises (SMEs) as a means to expand into foreign markets and improve their international competitiveness. Its interest is in internationalisation as a growth and development process as experienced by these SMEs and in the ways in which they developed inter-organisational relationships as a way to overcome the challenges of competing internationally. The central proposition of this thesis is that it is through the dynamic processes of forming inter-organisational relationships and acquiring new knowledge through inter-organisational learning that SMEs build the capability to create a sustainable 'step change' in the internationalisation process. This thesis follows a naturalistic paradigm with the aim to provide meaningful insights and acknowledge the possibility of multiple answers to SME internationalisation problems. It is an ethnographic account of the managerial behaviours of the participating firms.

Analysis of the findings reveals an emergent process that is dependent upon the comparative achievements in negotiation, commitment and execution. The focus of this process incorporates the formal, legal, and informal socio-psychological dimensions by which organisational partners jointly negotiate, commit to, and execute their relationship in ways that achieve efficient and equitable outcomes and internal solutions to conflicts when they arise. Inter-organisational learning which is acquired through inter-organisational relationships can serve as an enabling mechanism for internationalisation for SMEs. Collaborative relationships can produce a win-win learning payoff through inter-organisational learning for the participating partners. Valuable learning opportunities can emerge when different firms with differentiated, unique skills and knowledge bases are brought together. If properly managed, inter-organisational learning can produce tangible learning and performance improvements for all partners.

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Defining the Research Study

Chapter One

Introduction

It is common practice in the first chapter of a research study or thesis to state the reasons for selecting the particular topic, the research questions and objectives, as well as providing information on the researcher's ontological, epistemological and methodological standpoints. It is the aim of this introductory chapter to fulfil this purpose and provide a brief outline of the content of chapters to follow.

This thesis seeks to develop insights into the nature of inter-organisational collaborations in small and medium sized enterprises (SMEs) as a means to expand into foreign markets and improve their international competitiveness. Its purpose is to explore and examine how ten SMEs in the healthcare technology sector collaborate to enhance international expansion in order to gain a better understanding of the behaviour that precipitates this phenomenon. Its interest is in internationalisation as a growth and development process as experienced by these SMEs and in the ways in which they have developed inter-organisational relationships as a means to overcome the challenges of competing internationally. The study also considers how the firms used collaborative relationships as an important source of inter-organisational learning which could, if properly managed, produce tangible learning and performance improvements for all partners. I do not believe that there are any straightforward, clear answers to these questions, only a complex and messy process in which I recognise that knowledge is provisional, partial, positional and contestable, and that social research is riven with contradictions, struggles, continuities and changes.

Although the internationalisation process of firms has been the topic of much research in the field of international marketing in the last three decades, there has been relatively less theory development of SME international marketing. Analysis of the literature shows that internationalisation research originally focused on the activities of multinational corporations (see, for example, Johansson and Widdersheim-Paul, 1975; and Johansson and Vahlne, 1977) before the attention of mainstream writing shifted to a certain extent to the behaviour of SMEs (See, for example, Bilkey and Tesar, 1977; and Cavusgil, 1980). A number of articles written about SME international marketing have tended to support the gradualist, incremental approach; as an accurate portrayal of SME internationalisation for the majority of SMEs. In contrast, relatively little has been written about the positing and testing of marketing theories relevant to SME internationalisation (Merrilees and Tiessen, 1999). Given this lack of well-accepted theories of SME internationalisation, this thesis aims to make a contribution to that theory development through a two-year longitudinal study of the behaviour of SMEs, specifically, in the ways in which they form collaborative relationships with the aim to enhance their internationalisation processes. The central proposition of this thesis is that it is through the dynamic processes of forming inter-organisational relationships and acquiring new knowledge through inter-organisational learning that SMEs build the capability to create a sustainable 'step change' in the internationalisation process.

The conceptualisation of the research study

This research topic emerged from a recognition that the majority of previous studies on the internationalisation of firms tend to centre on multinational corporations

already established abroad (See, for example, Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975; Buckley and Casson, 1976; Dunning, 1988, 1994; Ayal and Zif, 1979; Anderson and Gatton, 1986; Beamish and Banks, 1987; Johanson and Mattson, 1988; Whitelock and Munday, 1993; Turpin, 1993; Cavusgil and Zoe, 1994; Beamish and Inkpen, 1995), while ignoring smaller and inexperienced firms new to international activities. The impact of resource constraints in smaller firms on strategy formulation has been overlooked. The applicability of such strategy prescriptions to smaller firms whose major obstacle is resource constraint is, therefore, questioned (Weinrauch et.al., 1991). Instead, strategy frameworks implicitly designed for larger firms with greater resources are liberally borrowed and advanced as solutions for SMEs seeking to internationalise their businesses (O'Neil and Duker, 1986; Lee et.al., 2000). As SMEs seeking to internationalise are likely to face different problems compared to larger firms, the applicability of these frameworks are often inadequate. For instance, many SMEs have a shortage of short-term working capital as well as capital funds for longer term investments. There is usually a lack of sufficient manpower to the extent that the functions of production, finance and sales are carried out by very few people who have limited time and whose focus is more operational than strategic (Lee et.al., 2000).

I wanted to understand better the factors and processes influencing smaller firms as they become involved in international activities. Due to the unique nature of smaller firms, I believe that "it is ineffective to continue applying internationalisation theories grounded in a small number of studies of larger firms in the 1970s in a small number of countries, given the numbers of entrepreneurial smaller firms in

international markets today” (Carson and Coviello, 1996 in Fillis, 2000 p.778). Specific investigations into the conceptualisation of the internationalisation process of smaller firms could secure further development and refinement of previous studies; and hence contributing to a better understanding of firm's internationalisation behaviour.

This research topic also emerged from a recognition that smaller firms often use inter-organisational collaborations as means to go abroad or substitute own investments in foreign markets (Kaufmann, 1995). By leveraging the relationships formed within these collaborations, it can offer a quick and safe route for these firms to grow internationally, gain global economies of scale and improve cost competitiveness.

There are several ways that smaller firms can benefit from the formation of inter-organisational relationships. By combining the resources of partner organisations, a smaller firm is able to overcome its resource disadvantage to compete with the bigger incumbent firms. Alternatively, it could form collaborative relationships with non-competing major corporations and/or other smaller firms which possess complementary strengths and expertise in order to gain greater strengths and competitive advantages over its bigger rivals. Finally, through cooperation with other smaller firms in joint operations, they could benefit from economies of scale and scope, and hence acquire cost advantages (Lee et. Al., 2000).

It is the focus and contribution of this thesis to explore the concept of forming inter-organisational collaborations as a means to compete internationally for smaller firms

that explicitly takes into account the resource constraints that confront these firms. Smaller firms may be more effective in competing with their larger rivals if the resource constraints can be overcome. In this way, forming inter-organisational relationships may be used as the mechanism to facilitate and/or enhance the process of internationalisation. Research into this area could provide new insights into the impact that forming inter-organisational relationships can have on a firm's internationalisation process.

Quantitative works appear to dominate the literature of firm's internationalisation studies. Fillis (2001) observes a shortfall in the number of truly qualitative studies, although a number of works do involve either some qualitative interpretation of data or endeavour to conceptualise and model using some qualitative input. He argues that the dominance of quantitative method may serve to slow down new theory generation and, in a climate where more and more smaller firms are internationalising, there is a need for a range of alternative methodologies in order to try to understand such behaviour. Other authors (for example, Carson and Coviello, 1996) also identify an increasing demand for qualitative field studies and encourage researchers to develop approaches from anthropology such as ethnography, grounded theory and field research. A creative approach to research is encouraged in order to question existing research practices and explore new ways of understanding (Stauss and Corbin, 1990 in Fillis, 2001 p. 778).

This thesis seeks to contribute to knowledge by adding to the increasing number of studies in the literature which adopt the qualitative and/or naturalistic methodologies with the aim to provide more meaningful insights and acknowledge the possibility of

multiple answers to the SME internationalisation problems (see, for example, Doole, 2000; Hutchinson et.al., 2006; Johnsen, 2007; Agndal and Chetty, 2007). The various issues under investigation in this thesis are highly qualitative as human social interactions and organisational behaviours are studied in a specific natural setting. An attempt to quantify these variables using quantitative and structured methods would not be conducive for the researcher to study the phenomenon in question in their natural environment.

This thesis is an ethnographic account of the managerial behaviours of the participating firms in the research. Naturalism is very often regarded as central to the ethnographic approach to social research within a predominantly inductivist framework. The researcher is *emphatic* to the participants so to achieve an understanding of the situation from an ‘insider’s’ point of view. The focus of this approach is on the manners in which the participants interact and collaborate in observable and regular ways. The aim is to feel and think like a member of the social setting under scrutiny. The desired outcome is to capture the experience of life within a particular culture and of the beliefs and social rules that one uses as resources within it.

The research question and objectives

Research questions are “the door to the research field under study; they emerge from the researcher’s biography, social context and area of interest” (Flick 1998, p.53); and help define the boundaries and determine the methodology for the research. They are instrumental to getting the researcher started and help them to try and stay focused throughout the process of the research act (Strauss and Corbin, 1990).

The research question that this thesis seeks to address is how smaller SMEs form inter-organisational relationships as a means to compete internationally and enhance the process of internationalisation. It is the aim of this thesis to widen the perspective on internationalisation and contribute to literature by:

- a) adding to the increasing number of studies in literature which adopt qualitative and/or naturalistic methodologies with the aim to generate a more holistic insight into SMEs' behaviour in international expansion;
- b) offering a fresh perspective in examining the behaviour of SMEs in internationalisation as a growth and development process as experienced by them and in the ways in which they develop inter-organisational relationships as a way to overcome the challenges of competing internationally; and
- c) providing a study of SMEs in one specific industry with the aim to achieve a greater depth of understanding of the internationalisation processes of these firms by studying them longitudinally over a period of two years between 1988 and 1990.

The contributory value of this thesis is derived from the outcomes of these objectives.

About the text and its aims in the thesis

The relationships between author, reader and text are normally established in this first chapter as it informs the reader as to what s/he can expect from the text and provides a perspective of how the text may be interpreted. The word 'text', as Bryman and Bell (2003) observe, is frequently employed as a synonym for 'written

document'. However, increasingly the word 'text' has been applied to a broad range of phenomena in relatively recent times, so that objects such as photographs, acts, performances, television broadcasts, cultural artefacts (e.g. badge, plaque, flag) and others can be treated as texts out of which a 'reading' can be fashioned (see for instance, Barthes, 1972; Grint and Woolgar, 1997; Bell et.al., 2002).

The text in this thesis belongs to the genre of academic writing. The nature of academic writing has been part of a current debate on what constitutes academic endeavour in general, its function and purpose both within and outside the academic community. Academic texts which are formed and based upon the tradition of positivism has been the dominant paradigm of reporting the process of researching and theorising. The positivist paradigm assumes that theory and research are well-defined enterprises and the process of constructing them can be a linear one in which specific systematic procedures are followed. The 'linear' process and 'scientific' conventions of this type of academic writing are apparent in the language used, the structure of the text, and the division of content. The separation of the text from both its author and the subjects of the research is implicitly encouraged to achieve an optimum level of 'internal validity'. The process of writing the text and arriving at the final representation of the author's thinking and research experience, which is often a slow and painful process, are to be minimised if it is impossible to be completely omitted from the text. The author's understanding, use of, and conflict with the conventions of academic writing and the ways s/he deals with them are not part of the text. As the text is 'decontextualised' of the author's entity and personal experience it becomes apersonal and devoid of any meanings, as if created in a

temporal vacuum. Following this, the text is then presented as the ‘objective’ representation of the phenomenon under study.

The positivistic conventions of academic writing are pervasive in the generation of academic texts. In her textbook on translation, Baker (1992) notes that “even if a writer was not particularly interested in giving an impression of objectivity s/he would find it difficult to break away from the convention of using predominantly passive structures in technical writing. The more pervasive a structure becomes in a given context the more difficult it becomes for speakers and writers to select other structures or to depict events differently” (p.103). In ‘doing research’ for this thesis, I experience uneasiness in my struggle to deal with the pervasiveness of positivistic conventions and their influences. I shall return to this point in Chapter 3.

The research underpinning this thesis adopts a naturalistic paradigm, which is alternatively referred to as the constructivist or interpretive paradigm (Burrell and Morgan, 1979; Denzin and Lincoln, 1998). In contrast to the positivistic view that the world is a hard objective reality and concerned with discovering the underlying universal laws that govern the human social world, it takes the view that “...reality is a myth, and that the social world is the multi-faceted outcome of the interaction of human agents; it is a world which does not have an unequivocal reality” (Ashworth, 1997, p.219).

The naturalistic paradigm suggests that the phenomenon studied is impacted upon by the surroundings and the very presence of the researcher (Lincoln and Guba, 1985). This paradigm therefore differs from the positivist paradigm in that naturalism posits

that the external world does not have an objective reality. Instead, reality has no existence separate from or prior to individuals (Remenyi et. al. 1998). Reality exists as a product of the human intellect. It is constructed according to the context and to the time. The reality of the individual, compared to another individual (or to the same individual at a different time), is not more or less 'true' in the absolute sense, rather more or less informed and/or sophisticated (Guba and Lincoln in Denzin and Lincoln, 1994).

Here, therefore, the individual constructs reality according to his or her mental framework, which comprises of beliefs, attitudes, theories, prejudices, expectations, values and objectives. The mental framework is based upon the individual's personal biography and life history (Schutz, 1973). The individual will have experience of meeting with different people and of living through different situations. In a sense, it is a case of the past influencing the current situation. The reality of the individual is situated within time and context. Reality is not fixed over time as the individual constructs and reconstructs it on an ongoing basis. The context defines parameters of vision and action, but does not tally determined outcomes (Jones in Mangham, 1987). It provides individuals with ways to make sense of and understand the world (Burr, 1998).

On the other hand, the individual partly constructs reality in interaction with other individuals; and "together" they "produce a human environment" (Berger and Luckmann, 1967, p.69). Individuals, in groupings, make sense of and act upon their interpretations of 'truth'. Structures and circumstances, therefore, are not the 'way things are' but the 'way things are negotiated and accepted'. Individuals are able to

negotiate reality through language, which provides a “ ‘treasure house’ of ready-made, preconstituted types and inbuilt relevances” (Silverman in Mckinlay, 1975, p.277). It comprises the shared stock of knowledge or common knowledge of society. What is meaningful to the individual is meaningful to the fellow individual who shares the same language (Berger and Luckmann, 1967).

Within the naturalistic paradigm, the author is inevitably ‘present’ in the text despite all efforts in achieving his/her detachment from the text. Mills (1971) distinguishes two types of presentation of social sciences according to how the writer perceives his/her role and ‘voice’:

“One way results from the idea that he is a man who may shout, whisper, or chuckle – but who is always there...The other way of presenting work does not use any voice of any man. Such writing is not a ‘voice’ at all. It is an automonous sound. It is a prose manufactured by a machine.” (p.220-1)

These may appear to be extreme positions of ‘voice’. In practice, each writer needs to decide who they are – as authors, researchers, and ‘voices’ in the text. The decisions that authors take about the way they write determine the degree not so much of their presence in the text, but rather their participation in it. Even when authors try to erase themselves from the text, or to neutralise their presence in it, their individual characteristics exist outside their text and in relation to them.

This raises a further issue – that is, “whether the readers are active interpreters of what they see or hear. Do they passively derive the meanings that authors or

designers infuse into their texts, or do they resist those meanings and arrive at resistant readings, or do they arrive at a middle point that incorporates both passive and active elements” (Bryman and Bell, 2003, p.416-7)? Readers may not only ‘read’ what is in a text, but also what is missing. In accordance with their assumptions, interests and conventions, readers form ‘alternative’ texts to those that were intended by the author. Bell et. al. (2002, in Bryman and Bell, 2003), in their study of the UK Government sponsored people management initiative – Investor in People, which explored the meaning of cultural artefacts displayed in organisations, suggest that there can be a significant gap between understanding of what the initiative ought to signify and what it comes to represent. They gave an example of a story that was told of an organisation that had achieved the Standard (of Investor in People). Whilst being formally recognised as an Investor in People, it was informally known by employees as a ‘Divestor in People’, partly as a result of a major, long-term redundancy programme. These findings confirm that readers, in this case employees, frequently come up with alternative readings to those that were intended by writers of the texts, in this case managers and policy-makers working within the initiative. This thus suggests that we have to be cautious in concluding the interpretations offered by authors of texts are going to be the same as those of another author, or those of the readers or audiences of these outputs.

In this text, the process of generating ‘theory’ is regarded as important as the theory itself. Glaser and Strauss (1967) argue that the form of presenting a theory is not independent of the process of generating it as the “discussional form of formulating theory gives a feeling of ‘ever-developing’ to the theory, allows it to become quite

rich, complex, and dense and makes its fit and relevance easy to comprehend” (p.32).

The inclusion of both challenges how ‘order’ and ‘relevance’ are understood in academic writing. The establishment of order is paramount in academic writing – that is, what is written should tell a coherent ‘story’ which is as close as possible to the phenomenon that it seeks to describe or make sense of. The text must ‘put in order’ things that are usually highly complex and interconnected, and which can normally only be achieved by following a specific order in the structure of the text that perpetuate the separation of theory and methodology, and their entities.

A different approach is used in this text starting with the premise that it tells *two* stories: (a) the story of the theory; and (b) the story of the process of generating the theory itself. The first story describes ‘what has happened’ and the second one ‘how and why it has happened’. The two stories are represented in the text as two aspects of the same experience, and they are treated as ‘semi-autonomous stories’ so as to give a sense of order and coherence to the text.

Relevance is what gives internal coherence to the text. It helps the researcher to decide ‘what to include’ in each story and creates, to some extent, the illusion that a complete story has been unfolded. Woods (1996) notes that “one often does research in part to discover more about oneself. This is not to say that it is self-indulgent, but that it is chiefly through the self that one comes to understand the world. In turn the discoveries one makes reflect back upon the self, which then feed back into the research, and so on” (p.1).

As a result of the research process, the text is the outcome of an evaluation and/or selective process which decides what is relevant to the stories. From the epistemological perspective, deciding what is relevant is based on the researcher's assumptions in relation to the aims and functions of theorising and researching. It cannot be simply understood and criticised according to some pre-existing criteria about what is appropriate and relevant in academic writing, but rather it must be considered in connection with what a specific statement is trying to achieve in the text. This type of relevance does not only refer to the data of the study, but connect to the researcher's ontological position and personal experience of research.

The research journey

My research journey did not begin with a clear set of pre-determined outcomes and structure for the process of this investigation. Being inexperienced in undertaking a research study of this scale for the first time, I began my journey by trying to construct a research question. In constructing the research question, I relied on what I felt comfortable with at the time by adopting a more positivist approach. For example, in my initial attempt to define the research question of this study, I set out to 'determine' how small British manufacturers can 'establish' strategic alliances as a strategy to accelerate step changes within the process of firm's internationalisation. Thus the aim of research question was to 'evaluate' the impact of strategic alliances on the process of internationalisation. The use of words such as 'determine', 'establish' and 'evaluate' imply an intention to develop causal relationships between identifiable variables, and presume a positivist approach to the study.

Further, within this initial attempt to define the research question, I was preoccupied with a need to 'pre-define' the form of inter-organisational relationship before undertaking any fieldwork within the social setting. There was an assumption that the notion of a *priori* ought to exist before any research could take place. In this, I set out, in my research question, to determine how small firms form 'strategic alliances' to accelerate their internationalisation processes without a clear understanding of the various conceptions of inter-organisational relationship. The use of the term 'strategic alliance' was a convenient way to describe the organisational form to represent the inter-organisational relationships between the firms in this study, rather than as an academic construct. I felt that, in order to present a research proposition for my studies to my supervisors, I needed to provide a clear research question that is defined by an appropriate set of parameters for the study. As the research went on, the research question and the parameters of this study began to take shape. In arriving at what this research eventually set out to do, the journey that I undertook was exploratory and evolutionary in nature directed by the events that took place within the social setting over the period of this study. This journey underwent two distinctive phases.

The objective of the first phase was to develop a pre-understanding of the subject matter in order to inform the research design and determine the boundaries of the research study. This was achieved by reviewing the theoretical and empirical studies that appeared to be relevant to the treatment of this subject. The intention was to find out what the literature said about how firms go about competing internationally and internationalising their business activities. The outcome, as presented in chapter two, is an account of how a pre-understanding of the subject matter and the main

research assumptions of this study were formed. It is a reflective account of my engagement with various discourses of the subject matter, my attempt to understand them, and the process undertaken in order to conceptualise the boundaries of this study. In reconciling myself with the diverse nature of firm's internationalisation, I came to a recognition that understanding of this phenomenon would be aided by the adoption of a more holistic approach, taking into account the multi-dimensionality of firms operating in the international marketplace. I also came to believe that the development of any 'new' understanding would need to acknowledge the contexts within which SME's compete internationally, and the role of business networks/relationships in the enhancement of international expansion.

An important contributory value of this thesis is the naturalistic, longitudinal methodologies adopted for this research study. It was important for me to develop an in-depth understanding of the methods associated with doing research in this tradition. Chapter three is a reflective account of this journey to show how I went about understanding and using methods of research, analysis and interpretation which were used to 'make sense' of this research. In presenting these matters, I discuss the problems of doing research raising the issue of traditions in social science research and show how these can impose and influence the methods used in fieldwork. This is followed by a discussion on ethnography as a method, and the reasons why it has been chosen to conduct the fieldwork. In addition, I also document how the research was conducted identifying the reflective method used in both the development of methodology and in constructing the theory.

The development of a pre-understanding in the first phase had shaped my thinking in how and where I would pursue the next phase of this study. In particular, it had provided me with a theoretical focus on the relationship aspects of SME's internationalisation. The objective of the second phase was to explore how firms develop collaborations to compete internationally and enhance their internationalisation. Data was collected from a number of different sources: previous literature, fieldwork, group discussion and interviews amongst the ten small firms participating in this study. To construct an initial 'feeling' about the firms and the circumstances under which they pursued internationalisation, I started my fieldwork by collecting as much information as possible on the ten firms studied and, specifically, the events and challenges they faced in their international experiences. The intention was to set out the theoretical contexts for further data collection in subsequent fieldwork. Chapter four offers a presentation of these contexts.

In chapter five, I report on this thesis's case study and, through the analysis of data, establish an understanding of how the firms in this study collaborated to enhance their competitiveness in the international marketplace. I examine how these partnering firms jointly accomplish and support the initiation and early development of a collaborative inter-organisational relationship to create new business opportunities. This is achieved by presenting empirical data from the formation process of collaborations between the ten partnering firms in this study; analysing the characteristics of the case; and discussing the implications of the findings.

To explain how the firms in the study developed collaborations to compete internationally, I drew from previous literature in the field of inter-organisational

relationships. It is suggested that the development of collaborative inter-organisational relationships can be an important source for SME's to develop a capacity to compete internationally. The development of an effective and efficient mechanism to facilitate decision-making has an important role to play in managing inter-organisational collaborations. When there are more partners, as was the case in this study, there is a tendency for more elaborated bureaucracy of the decision-making procedures. The demands on the collaboration can also be more diverse. When faced with demands that are conflicting with the best interests of the collaboration as a business in its own right, the collaboration management will experience dilemma of conflicting loyalties.

Whilst the role of inter-organisational relationships was significant, these relationships in themselves could not explain how the collaborating SME's develop ability to enhance their internationalisation. The findings suggest that valuable learning opportunities can emerge when different firms with differentiated, unique skills and knowledge bases are brought together. To explain this important theme in the findings, it was necessary to draw upon the literature of inter-organisational learning. It was through the learning opportunities made possible by establishing inter-organisational relationships that enabled acquisition of the organisational learning needed for enhancing internationalisation. It is suggested that inter-organisational learning, if properly managed, can yield tangible learning and international performance improvements for all partners.

I ended the research journey with a presentation of the research conclusions in chapter 6, including a synthesis and an evaluation of the study. The applicability of

theories of inter-organisational collaboration to the study of SMEs internationalisation is discussed and critically evaluated. Methodological considerations relevant to the analysis of SME internationalisation are also discussed with a view to informing future studies in this field.

Chapter summary

It is the intention of this first chapter to provide an introduction and present the key components of this thesis to the reader. In doing so, I have described how this study was conceptualised, outlined the research questions and objectives, and provided information on my ontological, epistemological and methodological standpoints. In identifying a general research area that could make genuine contributions to knowledge I have examined some of the strengths and shortfalls in the literature, and discussed how the research journey that I undertook could fill the gaps identified in the literature.

Apart from presenting the topic of this thesis, this introductory chapter is also concerned with the text itself and the way in which it relates to the author and potential readers. It is therefore deemed important to provide here a perspective of how the text may be interpreted. This text is written with a specific purpose in mind – that is, to report a research study undertaken as part of a research degree. It does not attempt to provide an impression of ‘objectivity’ and creates a sense of distance between the writer and what is written in the text. Rather, it seeks to demystify the research process and make as explicit as possible how the research has been constructed. Potential readers are informed that the process of writing this text and

arriving at the final representation of the author's thinking and research experience,
is very much part of the text.

Understanding What the Literature Said

Chapter Two

Chapter introduction

It is the aim of this thesis to conduct a holistic and exploratory research study. I started this research journey by reviewing the theoretical and empirical studies that I thought were relevant to the treatment of this subject in order to form a pre-understanding of the subject matter in this study – that is, how firms go about internationalising their business activities mainly, but not exclusively, within the SME population. This chapter is an account of my understanding of what the literature said about the process of firm’s internationalisation at the time when this study began. It is a valuable first step in establishing a view as to how the research of this thesis could contribute to the body of knowledge. No efforts were made to update the literature reviewed in this chapter retrospectively as it was an account of my attempt to develop an intellectual starting point that informed the conceptualisation of this study.

Getting to understand firm’s internationalisation

The internationalisation process of firms appears to be a complex and challenging process due to the diversity of international business activities and behavioural patterns of management. Indeed, I continue to struggle to define what the term ‘internationalisation’ actually means, its nature and its associated aspects. Part of my struggle to understand firm’s internationalisation is due to the differences in defining the term. The question is whether it is possible to have alternative understandings of the process of firms’ internationalisation, which can be applied in a number of contexts (e.g. firms of different sizes, nature of industry/marketplace etc.) without leading to some ‘imposed’, ‘deterministic’ or ‘monolithic’ representations of this internationalisation in these contexts. I feel that my fears of misrepresentation and

misunderstanding are justified as the extant literature shows little consensus on a definition of the term 'internationalisation' beyond one indicating the 'growing involvement of a firm in international operations' (Johanson and Wiedersheim-Paul, 1975; Turnbull, 1987; Welch and Loustarinen, 1988). For instance, many earlier empirical studies have applied the term to explain the international production operations of multinational corporations (MNCs) such as the Industrial-Organisation Theory (Hymer, 1960; Kindleberger, 1969; Caves, 1971; Agmon and Lessard, 1977); Internalisation Theory (Penrose, 1959; Buckley and Casson, 1976; Rugman, 1981); and Transaction Cost Theory (Williamson, 1970). Dunning's Eclectic Theory (1988) expanded its scope to incorporate consideration of trade as an alternative to investment in reaching foreign markets (Axinn and Matthyssens, 2001, p7).

The theories above appear to suggest that internationalisation is a pattern of investment in foreign markets, and mostly, for multinational corporations (MNCs) where internationalisation is centred on internalising its international expansion by selecting the optimal locations for its activities by assessing the economic cost of its transactions (Anderson and Gatigon, 1986; Dunning, 1988). All the proposals offered by these theories do not appear to take into considerations the differences between firms that are at the beginning of their internationalisation process and those that are in a more advanced stage of this process. Given that the firms under study in this research are all SMEs unlikely to progress beyond a certain stage of internationalisation in the foreseeable future, these theories offer limited relevance to the understanding of the internationalisation processes of these firms.

The term internationalisation is also frequently being used in literature to broadly describe the outward growth in a firm's international business operations (Johanson and Vahlne, 1977; Johansson and Wiedersheim-Paul, 1975; Cavusgil and Nevin, 1981; Piercy, 1981; Turnbull, 1987). These studies consider a firm's internationalisation to be an evolutionary process whereby the firm's activities increase internationally parallel to its commitment and knowledge. Internationalisation is viewed as a gradual and sequential process progressing through different stages i.e. export activity begins with operations involving countries with low psychic distance (i.e. host countries that are psychologically and geographically close to the native country of exporting firm), and as knowledge and experience increase, more and more distant markets are served.

This approach to explaining firm's internationalisation seems to have its theoretical base in the behavioural theory of the firm (Cyert and March, 1963) and Penrose's (1959) theory of the growth of the firm; and is seen as "a process in which the enterprise gradually increases its international involvement" (Johanson and Vahlne, 1990, p11). It "looks for solutions not to problems of why firms go overseas but rather to problems of how foreign direct investment takes place in terms of the underlying forces of a process" (Weisfelder, 2001, p.27) and the overall behavioural pattern. The internationalisation of firms is considered here as a learning process based upon a gradual accumulation of experiential knowledge in foreign markets; and it acknowledges the lack of complete information and the importance of risk or uncertainty in managerial decision-making. This is frequently referred to in the literature as the gradualist, incremental or stages approach to firm's internationalisation.

The so-called Uppsala Model of internationalisation, which centred on a longitudinal case study of four Swedish firms involved in international operations with over two thirds of their sales turnover coming from overseas, is perhaps the most significant contribution within the gradualist, incremental approach. It interprets the firm's internationalisation phenomenon as a process of gradual development over time and emphasises the sequential nature of the experiential learning obtained by means of a series of steps which reflect a growing commitment to foreign markets. The model seeks to explain two patterns in the internationalisation of firm. One is that a firm's engagement in a specific foreign market develops according to an establishment chain, i.e. at the start no export activities are performed in the market, then export takes place via independent representatives, later through a sales subsidiary, and eventually overseas production may follow. The second pattern is that firms enter new markets with successively greater 'psychic distance' in terms of cultural, economic and political differences and also in relation to their geographical proximity (Johanson and Wiedersheim-Paul; 1973, 1975).

The work of Johanson and Wiedersheim-Paul was further developed and refined by Johanson and Vahlne (1990). In their study, Johanson and Vahlne advocate the establishment chain proposition, that a strong link can be traced along a chain of internationalisation stages from export activity through agents and sales representatives to the formation of a manufacturing subsidiary in the overseas market. Proposing that the internationalisation of firm is a process in which the firm gradually increases its international involvement in a 'stepwise' manner. Their research findings also suggest that the process of internationalisation evolves in an

'interplay' between the development of knowledge about foreign markets and operations on one hand and on increasing commitment of resources to foreign markets on the other. Due to the fact that a positive relationship exists between market knowledge and market commitment, it is assumed that the better the knowledge about a market, the more valuable are the resources and the stronger the commitment to the market. The accumulated experiential knowledge is however mostly specific for a particular market and it cannot be generalised to other markets. The commitment of resources to each market therefore only increases incrementally in a stepwise manner (Johanson and Vahlne, 1990).

Some studies appear to build on the basic premise of the Uppsala model but attempt to offer an explanation of how a firm's internationalisation is linked to the innovative behaviour of its owner or manager (see, for example, Bilkey and Tesar, 1977; Cavusgil, 1980; Reid, 1981; Czinkota, 1982). According to Rialp and Rialp (2001), these studies "conform to the notion that firm's internationalisation is an incremental process, they argue that firms would progress through a series of specific *stages* reflecting changes in the attitudinal and behavioural commitment of managers and the firm resulting international orientation. The perceptions and beliefs of managers both influence and are shaped by incremental involvement in foreign markets. As a consequence, these firms gradually pursue active expansion into more unknown markets and become increasingly committed to international growth" (p59). In this sense, the internationalisation decision is an 'innovation' adoption for the firm.

The works of Bilkey and Tesar (1977), Lee and Brasch (1978), Cavusgil (1980) and Reid (1981) are often quoted studies of this innovation adoption perspective of

firm's internationalisation. The principal findings of Bilkey and Tesar's (1977) study of 423 small- and medium-sized Wisconsin manufacturing firms in the United States suggest that the export development process of firms consist of six distinctive stages, and that each of them has a clearly defined role for the management to play in determining the export behaviour. Their analysis also show that firms at early export stages focus on psychologically close countries, while firms at later stages focus on psychologically more distant ones. Following the 'learning theory' put forward by the authors, the management would increase the firm's commitment to exporting as the firm becomes more advanced in the 'learning curve' of export development.

Lee and Brasch (1978), in an empirical study of 35 small Nebraska manufacturing firms, focus on aspects of the decision making process involved in the adoption of exporting as an innovation. The objective of their study was to determine if this decision making process was rational or non-rational and if it was initiated by internally perceived problems or needs, or by a reaction to information about the innovation (exporting) received passively from the external environment. They found that most new firms used a non-rational adoption process which was reflected in a lack of information collection, a lack of consultation with export authorities and a lack of clearly defined goals and justification for such behaviour. The authors noted that the relatively small size of firms may have affected the level of sophistication in planning, control and information systems, as well as the ability to calculate the economic benefits of exporting. The other major conclusion was that the initiating force for the export adoption process was awareness or knowledge of the innovation rather than a result of any problems the firm was experiencing i.e. an

innovation-oriented adoption process rather than a problem-oriented adoption process.

Cavusgil (1980), drawing from the findings of various empirical studies conducted in several industrialised countries between 1966 and 1979, proposes a conceptualisation of a firm's initial involvement in international marketing activities. He identifies and characterises five distinct stages in the internationalisation process that the findings of these studies shared: domestic marketing, pre-export stage, experiential involvement, active involvement, and committed involvement. The conceptualisation, he claims, is in harmony with the important finding that this involvement is best understood in the context of a process, taking place as a result of successive decisions made by management over a period of time. The incremental behaviour of export decision making process is the consequences of greater uncertainty, higher costs of information and the lack of experiential knowledge associated with internationalising business activities.

Reid's (1981) work stresses the importance of firm size in understanding firm's internationalisation. Size differentiation is crucially important because foreign entry behaviour, as he suggests, is likely to be more structurally determined in larger firms. He suggests that the export behaviour is likely to be more affected by individual decision-makers in the small firms and less subject to such structural arrangements as intra-group trading, territorial allocations, and sourcing policies which are likely to be present in large firms. In order to answer these deficiencies in the literature, he argues that "a clearer understanding of the interaction between

firms and decision-maker characteristics in the small firm and their relationship with export behaviour needs to be provided” (p102).

He proposed that foreign entry and expansion could best be understood as an adoption of innovation behaviour. The export expansion process could be represented schematically as a five-stage hierarchy consisting of export awareness, intention, trial, evaluation and acceptance. As summed up by Johnsen and Johnsen (1999), this model differs from the gradualist approach discussed previously as it focuses not on the organisational form adopted by the firm for exporting, but on the characteristics and behaviour of the decision maker and the requirements of the firm in terms of allocated resources at each stage of this innovation-adoption process. This focus suggests that individual characteristics of firms are of great importance in determining export behaviour, therefore, small firms’ international market development should be studied as an independent phenomenon, focusing on processes involved in the decision to internationalise and taking account of their unique operating conditions, resources, influences and problems.

Apart from all the studies that have been carried out in the US, UK and Sweden, empirical studies from other countries have reported findings that support the gradualist approach to internationalisation. For instance, Johansson and Nonaka’s (1983) study of the internationalisation process of successful Japanese companies in the automobile and electronics manufacturing sector. These companies’ internationalisation tended to increase gradually; starting from exporting to countries with a close psychic distance (e.g. South East Asia) to those which were more ‘psychically’ distant (e.g. Europe and the US). Furthermore, before entering the ‘all-

important Western markets', attempts were usually made to enter another market with similar characteristics in order to develop exporting skills for these markets. Australia was most frequently used by Japanese companies as a 'dress rehearsal' before approaching Western markets.

Karafakioglu (1986), in his study of 201 exporting Turkish manufacturers, suggests that firms start getting involved in exporting in a gradual manner, thereby confirming the gradualist approach that internationalisation of firms was a sequential process.

Barrett and Naidu (1986), in their study of the internationalisation behaviour of Australian firms, stipulates that firms that exhibit greater degrees of internationalisation would show a greater commitment of resources to international operations and are more internationally oriented than firms exhibiting lesser degrees of internationalisation. The findings of their study indicate that management decision-making tends to be more systematic, structured, and planning oriented for firms exhibiting greater levels of internationalisation. For instance, the incidence of written plans, the setting of goals, and the employment of an export manager was more likely among firms with higher levels of internationalisation, and thus reflect a greater degree of resource commitment to export activities by these firms.

All these studies present a proposition that firms adopt an incremental stepwise or stage approach to internationalisation and generally confirm the relevance of cultural and psychological distance. They suggest that the incremental pattern of the firm's internationalisation process is attributed to two reasons: the lack of knowledge, especially experiential knowledge; and the uncertainty associated with the decision to internationalise. It may be summarised as a pattern of slow and evolutionary

development in time rather than a rational and/or deliberately planned sequence, where the incremental nature of learning becomes a key factor through the course (apparently predetermined) of a sequence of successive stages (Rialp and Rialp, 2001). The central feature of this approach lies, therefore, in assuming that a large part of the capabilities required by firms for internationalising their activities are acquired through a process of sequential and accumulative learning, in the form of a series of phases that reflect a higher commitment to foreign markets (Melin, 1992). In this sense, this approach may be perceived as helpful in explaining the internationalisation process of SMEs with rather limited experience abroad; where an increase of commitment of resources abroad is adopted only after the uncertainty is reduced as a result of gaining experiential knowledge.

The incremental, gradualist internationalisation approach has been increasingly challenged in recent years as many firms engage in opportunistic and intermittent export activity. For instance, while they agree that internationalisation is associated with increasing involvement in foreign markets, Welch and Luostarinen (1988) do not see the process as being necessarily a “smooth, immutable path of development” (p36). They argue that the concept of internationalisation should be broadened further to account for: (a) the increasing inward growth of international trade e.g. international subcontracting, cheap component/raw materials imports etc.; and (b) the possibility of ‘de-internationalisation’ which can occur at any stage i.e. disinvestments of international business operations. In a study of 125 UK manufacturing firms, Cannon and Willis (1981) also challenge the underlying assumptions of the stepwise progression and forward motion of the gradualist approach. They found that many of the firms actually accommodated both forward

and backward movements without obvious problem; and that many passive exporters had at one time been active. Furthermore, the research findings showed that some firms missed out particular stages during internationalisation to accelerate the process.

The speeding up of the internationalisation process was also supported by findings in a study undertaken by Hedlund and Kverneland (1985) on strategies of Swedish firms in Japan has drawn similar conclusions. They claim that Swedish firms in Japan seem to have preferred a 'shorter route' strategy for market entry. Almost half of the 18 firms investigated went directly from a sales agent to a manufacturing subsidiary, omitting the intermediate step of a sales subsidiary. They suggest that the establishment and growth strategies on foreign markets are changing towards more direct and rapid entry modes than those implied by theories of gradual and slow internationalisation process.

Nordström (1990) challenged the notion of psychic distance on the ground that the world has become much more homogeneous and that consequently psychic distance has decreased. A general move towards "a more homogeneous world, quicker and easier access to information about foreign markets and the emergence of firms that manage their activities as if the world was one large homogeneous entity has severely undermined the key assumption of a heterogeneous world behind the traditional models" (p173). His research findings, based primarily on two case firms in Sweden and subsequently tested on a sample of more than three hundred firms, conclude that the average foreign establishment sequence of Swedish manufacturing firms provides a diminishing support for the notion of psychic distance. For

example, Britain, Germany and the US have become as common a target for the very first establishment of sales subsidiary as the Scandinavian neighbours. Further, both the case firms studied tend to 'leap frog' stages in the traditional 'establishment chain'. This could have been due to the fact that the necessary information and experience required before making a greater commitment within a market can be gathered faster than before, or that the need to gather information and experience is overruled by other more pressing considerations such as competitive pressures.

These findings are supported by Millington and Bayliss's (1990) study of 50 UK manufacturing firms operating in the European Community designed to test the gradualist, sequential approach to the internationalisation process. They found that over half of the samples in their study have actually made a jump from low stages of internationalisation process, e.g. licensing and direct exporting, to becoming a fully established overseas manufacturing operation. The results did not support the gradualist, incremental view of the internationalisation process, where a step-wise process being the exception rather than the rule. Rather, they appear to support a life-cycle model which is based on the international development of the firm. In the early stages of international development the firm relies on market experience and incremental adjustment. As the degree of international experience increases, this process is superseded by formal planning and systematic search. In the final stages of development international experience may be transferred across markets and between products, thereby enabling firms to leapfrog the incremental process within markets. Other research studies (Lanzara, 1987; Dalli, 1994; Bell et.al., 2001) have show that the process of international expansion adopted by SMEs is neither

predetermined nor systematic, and is characterised by a lesser degree of determinism and a more active role given to the firm.

Further, Lloyd-Reason and Mughan (2002) observe that the debate surrounding small firm internationalisation has moved on from a simple for and against argument of the gradualist approach to adopt a more holistic approach. For instance, Reid (1981, 1984) suggests that intra- and inter-firm variability in resource endowments, market opportunities, and managerial philosophies may have an impact on a firm's internationalisation. He proposes a contingency view of internationalisation in which a firm's initial reaction to foreign market opportunities and subsequent strategies reflect prevailing circumstances and existing resource capabilities. This view is supported by Turnbull (1987). In a study of 24 British companies operating in three different industrial sectors (large marine diesel engines, motor vehicle components, and telecommunications equipment), Turnbull claims that the gradualist approach inaccurately portrays the international expansion of these companies. As companies tend to show significant differences in their patterns of international expansion according to the industrial sectors they are in, he suggests that a company's stages of internationalisation is largely determined by the operating environment, industry structure, and its own marketing strategies. Following this, it can be argued that the explanations the gradualist approach offer may ultimately contribute very little to the understanding of the true nature of SMEs' internationalisation.

The above attempt to define and examine firm's internationalisation means that the conceptualisation of the research study should be able to address firm's internationalisation in its complexity. In research terms this means that both the

concept and the phenomenon should be examined in the contexts within which the firms operate.

My observation suggests that the extant literature in this field has tended to derive heavily from lessons learnt from the practices of larger and experienced MNCs. As an illustration, Table 2.1 contains a representative sample of works connected with internationalisation spanning the past few decades beginning with those dated back to the early 1970s. In a comprehensive review of contemporary empirical research on SME internationalisation, Coviello and McAuley (1999) argue that the historical emphasis on larger firms is of additional concern given the argument that smaller firms seem to differ from larger firms in terms of their managerial style independence, ownership structure and scale/scope of operations which could impact on their internationalisation behaviours. For instance, whilst there is no consistent empirical evidence to show that firm's size can be a barrier to internationalisation (Buckley et.al., 1979; Cannon and Willis, 1981; Varaldo, 1987; Calof, 1994), SMEs generally are nonetheless perceived to be disadvantaged by specific internal and external constraints when pursuing international development. This could be due to constraints such as lack of knowledge and experience in export procedures (Bilkey and Tesar, 1977; Kedia and Chhokar, 1986); limited capital (Simpson and Kujawa, 1974); lack of relevant information sources (Yaprak, 1985); environmental restrictions e.g. competition, red tape, poor economic conditions (Leonidou, 1995) and so on. The internationalisation process of SMEs is therefore suggested to be different from that of larger firms. For an extensive literature review of firm-specific internal and external constraints faced by SMEs when pursuing international development, see Miesenbock (1988). Following this, it is suggested that

internationalisation frameworks which are implicitly designed for larger firms with plentiful resources should not be liberally borrowed and advanced as appropriate approaches for SME internationalisation (Lee et.al., 2000).

Table 2.1: Selection of Studies of Firm's Internationalisation (1975-1999)

| Authors | Area of Study | Company Size | Methodology |
|--------------------------------------|----------------------------------------------------------------------------------------------------|----------------------------|---------------------------------------------------------------------|
| Johanson and Wiedersheim-Paul (1975) | The internationalisation of Swedish firms. | Growth from Small to Large | Case studies based on empirical observations over a period of time. |
| Bilkey and Tesar (1977) | The export behaviour of smaller-sized Wisconsin manufacturing firms. | Small and Medium | Hypothesis testing with postal questionnaire. |
| Johanson and Vahlne (1977) | A model of knowledge development and foreign market commitment. | Growth from Small to Large | Empirical observations over a period of time. |
| Lee and Brasch (1978) | The foreign direct investment behaviour of smaller UK firms. | Small to Medium | Postal questionnaires and small number of in-depth interviews. |
| Cannon and Willis (1981) | The internationalisation of smaller manufacturing firms in the UK | Small and Medium | Multiple-case study with in-depth interviews. |
| Cavusgil and Nevin (1981) | Internal determinants of export marketing behaviour. | Small, Medium and Large | Postal questionnaire and statistical analysis. |
| Johansson and Nonaka (1983) | Japanese exporting marketing structures, strategies and counterstrategies. | Large | Secondary data and small number of interviews. |
| Anderson and Gatigon (1986) | To explain the choice between joint ventures and foreign manufacturing facilities. | Large | Hypothesis testing to establish causal relationships. |
| Barrett and Naidu (1986) | The influence of various management and firm factors on manufacturing firms' internationalisation. | Small, Medium and Large | Hypothesis testing to establish causal relationships. |

| | | Small and Large | Postal survey using a 5-point Likert importance scale. |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------|-------------------------|-----------------------------------------------------------------------------------|
| Karafakioglu (1986) | Export activities of Turkish manufacturers | Small and Large | Postal survey using a 5-point Likert importance scale. |
| Hallén et. al. (1987) | Relationship strength and stability in international and industrial marketing | Large | Hypothesis testing to establish causal relationships. |
| Turnbull (1987) | To investigate the validity of the Stage theories of internationalisation. | Small, Medium and Large | Postal questionnaire and statistical analysis. |
| Varaldo (1987) | The internationalisation of small and medium-sized Italian manufacturing firms. | Small and Medium | Empirical observation and secondary data. |
| Hook and Czinkota (1988) | Export activities and prospects of Hawaiian firms | Small, Medium and Large | Postal questionnaire and statistical analysis. |
| Forsgren (1990) | Case studies of Swedish firms in the context of the political systems and networks. | Large | Empirical observations of 25 Swedish direct investors. |
| Millington and Bayliss (1990) | The sequential model of internationalisation process is tested using the experience of 50 UK manufacturing companies | Large | Hypothesis testing to establish causal relationships. |
| Nordström (1990) | The internationalisation process of firms | Large | A multiple-case study using hypothesis testing to establish causal relationships. |
| Sullivan and Bauerschmidt (1990) | A study to test Johanson and Vahlne's theory of firm's incremental internationalisation within the forest industry. | Mainly Large | Hypothesis testing with postal questionnaire. |

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|----------------------------|------------------------------------------------------------------------------------|------------------|---------------------------------------------------------------|
| Rao and Naidu (1992) | The stages of firm's internationalisation process | Small and Medium | Hypothesis testing with postal questionnaire. |
| Katsikeas (1994) | Perceived export problems and export involvement of Greek exporting manufacturers. | Medium and Large | Hypothesis testing to establish causal relationships. |
| Bell (1995) | The internationalisation of small computer software firms. | Small | Postal questionnaire and statistical analysis. |
| Calof and Beamish (1995) | Exploring the dynamics of firm's internationalisation and why it happens | Medium and Large | Interview with open-ended questions. |
| Coviello and Munro (1995) | Networking and the entrepreneurial firm internationalisation of the firm. | Small and Medium | Case study with in-depth interviews and postal survey. |
| Chetty (1999) | Dimensions of internationalisation of manufacturing firms in the apparel industry. | Small and Medium | Hypothesis testing case study with semi-structured interview. |
| McAuley (1999) | The internationalisation behaviour of Scottish arts and crafts businesses. | Small and Medium | Postal survey and followed by semi-structured interviews. |
| Johnsen and Johnsen (1999) | International market development through networks within the knitwear sector | Small and Medium | Case study with unstructured interviews. |

Source: Adapted and based on Fillis (2001)

During internationalisation, SMEs' lack of resources is not limited only to the lack of short-term working capital and capital funds for long-term investments. Very often, they also lack sufficient manpower to the extent that the functions of production, finance and sales are carried out by very few people who have limited time and whose focus is more operational than strategic (Robinson and Pierce, 1984; Lee et.al., 2000). The applicability of the gradualist approach to SMEs, whose major obstacle is resource constraint, is, therefore, questionable (Weinrauch et. al., 1991; Eden et.al., 1997). It is suggested that there is a need in literature to promote exploratory research into the internationalisation behaviour within the SME population reflecting the nature of its external and internal environmental constraints; and eventually develop alternative internationalisation frameworks that truly mirror their practices.

This thesis seeks to contribute to literature by exploring this research avenue. In particular, it intends to generate insights into the nature of SME internationalisation by examining the subject from a fresh perspective that explicitly takes into account the resource constraints faced by these firms; and providing explanations of how SMEs can overcome these constraints through collaboration with other SMEs i.e. forming strategic alliances in order to enhance international competitiveness.

My observation also suggests that the extant literature in this field tend to adopt a positivist view of research with the intention to generate deterministic generalisations that could be applied across settings. Fillis (2001), based on his investigative survey of more than 110 SME internationalisation studies and their research methodologies between 1960 and 2001, observes that quantitative works dominate the literature in this field. According to Fillis, there is a drastic shortfall in the number of truly qualitative studies, although a number of works do involve either some qualitative interpretation of data or endeavour to conceptualise and model using some

qualitative input. He argues that the dominance of quantitative method serves to slow down new theory generation and, in a climate in which more smaller firms are internationalising than ever before, there is therefore a need for a range of alternative methodologies in order to try to understand such behaviour. As an illustration, Table 2.1 contains a representative sample of works that illustrate the dominance of quantitative research tradition in literature.

Others (for example, Carson and Coviello, 1996) also identify an increasing demand for qualitative and depth field studies and encourage researchers to develop approaches from anthropology such as ethnography, grounded theory and field research. A creative approach to research is encouraged in order to question existing research practices and explore new ways of understanding (Stauss and Corbin, 1990 in Fillis, 2001 p. 778).

This thesis seeks to make a contribution to the internationalisation literature by adopting a truly qualitative research tradition as a counterbalance to the dominance of quantitative tradition. The research process took the shape of a naturalistic inquiry studied entirely in a specific natural setting and aimed to generate an interpretation that emphasises only matters relevant to the interests of this study according to the life-world and individual experience of the participants.

Getting to understand firm's internationalisation from the relationship perspective

A number of research studies indicate that SMEs often focus on developing relationships which assist their internationalisation process. In doing so, these relationships provide access to new foreign market opportunities as well as the capabilities and resources required to implement marketing activities (Jones, 2001). The international competitiveness of a firm may be defined not only by internal sources, but also by interaction and relationships with other firms. It is

suggested that social and business networks may be used to act as a catalyst for international development (Johansson and Mattson, 1988; Coviello et.al., 1998; Coviello and McAuley, 1999). For instance, network connections may provide access to innovations and technologies required to satisfy international customers (Ford and Saren, 2001). Studies by Holmund and Kock (1998) and Apfelthaler (2000) highlight the importance of downstream activities, in the form of personal and social contacts via family or friendship links, as compelling forces behind SME internationalisation. From a 'formal' perspective, international networking can involve upstream participation in international trade fairs, sharing the same buyers and suppliers (Koch, 2001), and strategic alliances and joint venture (Bell et.al., 2001). Of particular concern to this view of firm's internationalisation is the question of 'how do firms make use of relationships within their business networks as a catalyst to enhance international activity?' It proposes that firms establish, develop, and maintain lasting business relationships with other business entities. These relationships are connected by networks which develop as a consequence of the interaction between firms.

Johanson and Mattsson's (1988) seminal work on the network approach to internationalisation is frequently quoted in literature. To them, the network approach means that the firm establishes and develops positions in relation to counterparts in foreign networks. This can be achieved (1) through establishment of positions in relation to counterparts in national nets that are new to the firm, i.e. international extension; (2) by developing the positions and increasing resource commitments in those nets abroad in which the firm already has positions, i.e. penetration; and (3) by increasing co-operation between positions in different national nets i.e. international integration. The firm's degree of internationalisation informs about the extent to which the firm occupies certain positions in different national nets, and how important and integrated are those

positions. In short, the internationalisation of firm means that the number and strength of the relationships between the different parts of the global production network increase.

Barrett and Naidu (1986), whose thesis focuses on the relationships between various management and firm factors based on data generated from a nationwide sample of Australian manufacturing firms, argue that the emphasis of this approach is on the firm's relative position in the network. At each point in time the firm has certain positions which characterise its relations with other firms. They are the results of cumulative activities by the firm and its counterparts in the network, and define the base for development possibilities as well as constraints of the firm in present and future activities. A firm's position changes overtime (through marketing activities) as relationships are established, maintained, developed, and broken in order to secure profits, growth and long-term survival. Such relationships give the firm access to important resources for the sale of its products and services.

In a study of 20 Swedish firms, Sharma and Johanson (1987) aim to widen the perspective on the firm's internationalisation process by making a focus on the Swedish firms in one specific service industry, namely the technical consultancy branch. Their study indicates that the internationalisation process is not of the cumulative nature as is often implied in the concept of internationalisation. Their study suggests that a common feature of the firms' international development is that the operations abroad are more or less temporary in nature. When the assignments are completed the firms could have easily withdrawn from the country. However, this is in contrast with the internationalisation process of manufacturing firms which is more of a permanent investment because withdrawal of resources is often difficult and costly. Hence, the assumption of an interplay between resource commitments and experiential learning leading to internationalisation does not hold true for the firms under the study. On the other hand, the

findings of their study show that firms internationalised by utilising a network of relationships with other firms such as equipment suppliers, customers, complementary consultants, and banks, which operate in international networks. Information about foreign markets opportunities is channelled through the network, or firms in the network may 'pull' the firms abroad.

Hallén et. al. (1987) in their study of a sample of 56 British, 79 German, and 102 Swedish industrial marketers and their companies' most important relationships with customers in France, Germany, Italy, Sweden and the United Kingdom, have highlighted the significance of lasting relationships between suppliers and customers in the international markets. They argue that businesses between suppliers and customers take place in a dynamic setting which continuously exposes the parties to new problems and that the relationships is a framework where mutual trust and knowledge make it possible to handle the problems as they arise. The relationships that exist between two firms are assumed to have composed of two processes: information exchange processes and adaptation processes. It can be expected that these interaction processes are either (1) a result of interaction strategies pursued by the firms; (2) to be conditioned by the character of the product exchange between the firms; or (3) the character of the relationships is conditioned by the setting (for instance domestic or international) in which businesses take place. Business partners in the network would mutually adapt their operations over time as they gradually demonstrate their trustworthiness to each other and commit themselves to the relationships. These relationships may become the 'bridges' to reach foreign markets.

In a study of multinational corporations in the US, Kogut (1990) claim that the expansion of US multinational corporations overseas is largely dependent on the effective utilisation of a co-ordinated network of relationships between headquarters and subsidiaries. His research findings conclude that the overseas investment of the US corporations is largely channelled through an

already existing multinational network. As these corporations establish multiple subsidiaries throughout the world, subsequent competitive advantages are realised through the co-ordination of the multinational network.

Blankenburg's (1992) study suggests that the network approach to foreign market entry assumes activities and processes in the network are multilateral as a consequence of interactions between network actors. The resources of the firm within the network are, to a large extent, seen as an inter-organisational matter. Firms' resources are subjected to adaptation, making the firms dependent on each other, which simultaneously reduces the control over their own resources and gives them some control over the resources of other network actors. Since no firm exists in a vacuum, it may be assumed that every firm is more or less connected to its surrounding actors, who in turn are connected to others. If these connected relationships consist of international actors, they increase the internationalisation of the firm's network context. These international actors may demand actions by the firm via direct or indirect relationships, thereby bringing the firm into the new foreign market.

In relation to the gradualist approach, it has been noted that the network approach to firm's internationalisation does not necessarily refute the notion of psychic distance or existing views concerning the incremental nature of the gradualist approach. Instead, the network approach is suggested to have aimed to rectify some of the deficiencies of the gradualist approach and provide new ways of thinking about the complex nature of internationalisation. As Johanson and Mattsson (1988) note, both the approaches stress the cumulative nature of the firm's activities. While the gradualist approach "focuses on the internal development of the firm's knowledge and other resources", the network approach "offers a model of the market and the firm's relations to that market" (p310). From a network perspective, internationalisation is a process of forming

relationships in new international markets which may involve building on existing relationships in the home and/or host country.

The network approach to firm's internationalisation is an important issue for this thesis. Several more recent studies (for example, Chetty and Campbell-Hunt, 2003; Moller and Svahn, 2003; Hutchinson et.al., 2006; Agndal and Chett, 2007) have found that firms acquire resources and capabilities through their relationships and in doing so enable them to enhance international expansion. This thesis aims to describe and analyse the roles of participating actors in the process and the implications of the collaborative relationships on SME internationalisation. By doing so, it can open up the possibilities for new ways of understanding firm's internationalisation, and empowered it to allow new, more flexible and innovative market entry strategies for SMEs to emerge. The intention to explore firm's internationalisation within the context of SMEs by inductively exploring the nature of this process is central to the contributory value of this thesis. It is the aim to do so by building on the works discussed above and integrating a wider field of literature then in order to explain the phenomena observed.

Chapter summary

It is the main aim of this chapter to form an intellectual starting point of this research by reviewing the literature directed at the internationalisation process of firm which contributes to the understanding of the theoretical corpus on which this thesis builds. This chapter has presented an account of how my understanding of firm's internationalisation has been developed. The literature reviewed here is a representation of my journey to understand of some of the approaches to conceptualising the behavioural patterns of firms as they undergo the process of internationalisation.

I have presented how I came to a personal understanding of firm's internationalisation through a process of struggling with the phenomenon, the concepts and the discourses in literature. In reconciling myself with the diverse nature of firm's internationalisation, I come to a recognition that any conceptualisation of this phenomenon needs to adopt a more holistic approach by taking into account of the multi-dimensionality of firms operating in the international marketplace. To develop meaningful theories that reflect the true nature of firm's internationalisation, I believe that there is a need to recognise the intra- and inter-firm variability in resource endowments, market opportunities and managerial factors which could very well have considerable impact on a firm's internationalisation behaviour. In addition, the development of new theories would also need to acknowledge the role and influence of business networks/relationships in the very nature and enhancement of international expansion. Due to the diverse nature of internationalisation behaviour by firms of varying sizes, industry sectors and managerial factors operating in often vastly different market environments, it is concluded here that a general internationalisation theory that applies a series of universal laws that can be generalised across settings would be difficult to be reached.

This is an important issue within this thesis. The research inquiry for this thesis follows the traditions of the naturalistic paradigm. In contrast to the positivistic view that the world is a hard objective reality and concerned with discovering the underlying universal laws that govern the human social world, it takes the view that:

“...reality is a myth, and that the social world is the multi-faceted outcome of the interaction of human agents; it is a world which does not have an unequivocal reality.”

(Ashworth, 1997)

In conceptualising the internationalisation behaviour of SMEs, this study takes the view that an understanding of how firms internationalise can be achieved only through knowledge of the multidimensionality and complexity of the whole process over a period of time. In order to achieve an insightful understanding of the nature of SME internationalisation it is thought necessary to recognise the relevance of the subjective experiences of these firms.

Matters of Methodology

Chapter Three

Chapter introduction

This thesis is concerned with examining the meanings and experiences of the inter-organisational relationships and the internationalisation process of a particular group of SMEs. It attempts to provide new insights into the working relationships between these SMEs and explain the implications these relationships could have on a firm's internationalisation.

As discussed in chapter one, the research underpinning this thesis adopts a naturalistic paradigm. Inquiry in the naturalistic paradigm is based on the ontological assumption that the phenomenon studied is impacted upon by the surroundings and the very presence of the researcher (Lincoln and Guba, 1985). This paradigm therefore differs from the positivist paradigm in that naturalism posits that the external world does not have an objective reality. Instead, reality exists as a product of the human intellect. It was also proposed that, to achieve the stated aims of understanding the nature of SMEs and the ways in which they form relationships to compete internationally, an inquiry approach based on the naturalistic paradigm would be more appropriate than one based on the positivist paradigm. Adopting such an approach would enable a more holistic understanding of this phenomenon, taking into account the multi-dimensionality of firms operating in the international marketplace.

This chapter addresses the matters of methodology of this thesis. It intends to introduce the reader to the methods of research, analysis and interpretation which have been used to show how 'sense' has been made of the fieldwork 'discoveries'. The method of

investigation was ethnographic and the research was conducted over a two-year period in and around these firms which can be traditionally be identified as SMEs. Throughout the research process a variety of methods, ranging from interviews, participant observation and survey were used in a reflective manner.

In discussing these methodological matters, this chapter is divided into two main sections. Section one discusses the problems of 'doing research' raising the issues of the perspective and influence of the researcher on both the research process and the discoveries. This section then continues with a discussion of the issue of traditions in social research and shows how these can impose and influence the methods used in the fieldwork. This is then followed by an examination of ethnography as a method, and the reasons why it has been chosen for this research.

In section two a reflexive account of conducting the research is presented. A reflexive account is deemed important for the reason that all researchers "select, interpret, colour, emphasise, and shape their findings" (Watson, 1994, p.79). Revealing the extent to which research is shaped in the process of its being carried out, adds to the report's authenticity and trustworthiness (Guba and Lincoln in Denzin and Lincoln, 1998). There is a concentration on showing how the research was conducted identifying the reflective methods used in both the development of the methodology and in constructing the theory or as Glaser and Strauss (1967) would argue, how the development of grounded theory took place. The discussion in this chapter aims to avoid a sanitised version of events while highlighting how the method was constructed in a rigorous manner.

Section one: The influences in doing research

It is perhaps not a difficult task to describe what this study is about but it is more complex to explain why it has developed in the way it has and why it has focused on specific areas and issues at the expense of others. The meanings associated with the concept of firm's internationalisation and the different frameworks that have been used to discuss it are complex and open to debate. These meanings and debates are valuable in their own right, yet none can explain how my arguments have been constructed or why I have focused on the areas that I chose. To do this I feel that it is necessary to make explicit how my approach has evolved and the personal and academic influences that have affected the structure of the research and the writing up of it. It is my belief that the reader of this thesis will only be able to understand, follow and finally critically evaluate the findings if the author abandons his objectivist disguise at the outset. Because my personality and experiences are inseparably related to the selection of the topic areas and research strategy, it is crucial to share them with the reader rather than pretend to write from a stance of impartial neutrality. Woods (1986) stipulates that the leaving out of the 'personal' from the process of qualitative research may hinder and distort the alleged 'discoveries' of such work, rendering the supposed new and surprising insights not at all surprising. This argument has been a major influence in my approach, that the personal is very much a part of the conceptual framework and intellectual resource for the research that underpins this study. I feel therefore it is important that my fieldwork and the findings are read with my position clear from the outset so that my theoretical as well as my methodological biases are recognised.

The conflicting views of social research and the position of the researcher

Social researchers have long felt the tension between the conceptions of scientific method modelled on the practices of the natural sciences, on the one hand, and ideas about the distinctiveness of the social world and the implications of this for how it should be studied, on the other. These changes of thoughts in social research methodology have created difficulty to establish a universal language in conducting research into the social world (Hammersley and Atkinson, 1995).

Many social scientists have long been under the influence of positivism in promoting the status of experimental and survey research and the quantitative forms of analysis associated with them. For positivists, the most important feature of scientific theories is that they are open to, and are subjected to verification or falsification with certainty. This is achieved by the exercise of control and/or deliberate manipulation of variables, as in experiments; or through statistical analysis of a large number of cases, as in survey research. Without any control over variables, it is argued that only speculate about causal relationships is possible, since no basis for testing hypothesis is available. Every attempt is made to eliminate the effect of the observer by developing an explicit, standardised set of data elicitation procedures. This allows replication by others so that an assessment of the reliability of the findings can be made. In other words, positivists believe that if it can be ensured that each survey respondent or experimental subject in a study and its replications is faced with the same set of stimuli, then their responses will be commensurable (Hammersley and Atkinson, 1995). In qualitative research such as

ethnography, where such explicit and standardised procedures are not employed, positivists would argue that it is impossible to know how to interpret the responses since one has no idea what they are responding to.

Naturalism, on the other hand, proposes that the social world should be studied in its natural setting, undisturbed by the observer. The research must be carried out in ways which are sensitive to the nature of the setting. The primary aim is to describe what happens in the setting, how the participants see their own actions and those of others, and the context in which action takes place. Naturalists regard social phenomena as quite distinct in character from physical phenomena. In this respect, naturalism draws on a wide range of philosophical and sociological ideas, which argue that the social world cannot be understood in terms of causal relationships or by the subsumption of social events under universal laws. This is because human actions are based upon or infused by social meanings such as intentions, motives, beliefs, rules and values. Therefore, any hope of discovering laws of human behaviour is misplaced, since human behaviour is continually constructed, and reconstructed, on the basis of people's interpretations of the situations they are in. In order to understand people's behaviour, naturalists argue that an approach must be used that gives access to the meanings that guide that behaviour. The aim is to feel and think like a member of a social setting under scrutiny while at the same time avoiding 'going native' and being captured by it, and still remaining a trained social researcher from another culture (Hammersley and Atkinson, 1995). In this way, it is hoped that the culture would be turned into an object available for study, an object which is independent of the researcher's influence. The desired outcome would be to

capture the concrete experience of life within a particular culture and of the beliefs and social rules that one uses as resources within it.

Social research has been traditionally seen as having the responsibility to eliminate the bias of the researcher. This idea, influenced by the scientific discourses, suggests that the researched and the researcher are unconnected and that data can be collected objectively without being affected by the actions of the researcher. On the ontological issue of what is real, it assumes that the 'truth' of the physical and social world is 'out there', and it can be proven via means of systematic testing and verification. The researcher is regarded as a potential source of data contamination and should be guarded against to preserve objectivity.

But in reality no research, be it qualitative or quantitative, can be 'value free'. As suggested by Hammersley and Atkinson (1984) that all research, be it the traditions of positivism or naturalism, is affected by the researcher:

“The first and most important step towards a resolution of the problems raised by positivism and naturalism is to recognise the reflexive character of social research; that is to recognise that we are part of the social world we study.”

(Hammersley and Atkinson, 1984, p.14)

Radical social scientists suggest that all data is influenced by the bias of the researcher throughout the fieldwork process. This issue is just as important within the scientific community. Here it is claimed that through the use of experimentation, the research process exists in a kind of vacuum, disconnected from the social world, with its

outcomes unaffected by the presence and actions of the researcher. But of course even this form of research is influenced by the actors involved. Decisions are made about how to undertake the research and evaluations and interpretations are involved claiming 'findings'. In terms of social research this issue is also of central importance. In the words of Hammersley and Atkinson (1984), "this is not a matter of methodological commitment, it is an existential fact" (p.15).

Many ethnographers, according to Hammersley and Atkinson (1995), have begun to challenge the commitment of qualitative research to naturalism, casting their doubts on the relevance of the naturalist principles to social research. Due to the increasing criticisms of the principles of natural sciences, as explored in Kuhn's (1970) work, and the frustration of ethnographers being unable to bring about significant changes in society as such, a more politically and ideologically driven approach to ethnographic research is called for. A discussion on how I come to understand what ethnography is and how it became my chosen method are dealt with later in this chapter under Doing Research in Ethnographic Tradition.

An important element of ethnographic research is the notion of *reflexivity*, which indicates the orientations of researchers being shaped by their socio-historical locations, including the values and interests that these locations confer upon them. This represents a rejection of the idea that social science is carried out in isolation that is insulated from the wider society and from the social-cultural background of the researcher, and produce findings which can be untainted by the very presence of the researcher. It is argued that the knowledge produced must no longer be merely some objective facts but bears social

consequences to the society. What is being put forward is the notion that the researcher cannot avoid relying on 'commonsense knowledge' nor, can he or she avoid having an effect on the social setting during the process of research. Hammersley (1992) argues that while there is as little justification for rejecting all commonsense knowledge out of hand as there is for treating it as 'all valid in its own terms', we can work with what knowledge we have and in so doing we can still make the reasonable assumption that we are trying to describe phenomena as they are, and not merely how we perceive them or how we would like them to be.

Research is a human activity that is not without bias. The researcher brings into the research process a ready-made state of knowledge that is to be drawn upon (Remenyi et. al., 1998). This knowledge, according to Gummesson (2000), is vital if the researcher is to understand and explain phenomena. It provides the researcher with a frame of reference or mode of engagement (Morgan, in Remenyi et. al., 1990). As a result, the data cannot be divorced from the researcher's perspective. Van Maanen Clarifies:

“...a researcher figuratively puts brackets around a temporal and spatial domain of the social world. These brackets define the territory about which descriptions are fashioned. These descriptions are essentially idiographic maps of the territory which must be read and interpreted by the researcher...but the map cannot be considered the territory simply because the map is a reflexive product of the map maker's invention. The map maker sees himself as much as he sees the territory.”

(1979, p.520)

This raises an important issue for my 'position' as a researcher. In most research we 'meet' the 'position' of the researcher through their theoretical perspective. For example, in Willis's (1977) study of how working class men get working class jobs we are introduced to a clear picture of his subjects through his 'theoretical position'. In doing ethnographic research, it is the 'theoretical position' of the researcher to represent the meanings and values which social actors give to their own lives. It is therefore important that the readers of the study are equipped to be able to engage reflexively with the work presented so that they can read the words of the people they have never met, or interpret accounts of behaviour which they did not see. To be able to do this they must not only be aware of their own frameworks of understanding but they need to have an understanding of the narrator.

The researcher has particular values and interests. The values and interests are informed by his or her background and bibliographical idiosyncrasies. They guide the researcher to the particular research problem or area, to the methods of data collection and analysis, in the interpretations that can be made from the findings, and in the presentation of the written report (Lincoln and Guba, 1985). Thus, understanding the ethnographer 'personal position' is as important, in understanding ethnography, as understanding the participants. Only then can the reader judge for themselves how the 'story' was unfolded, asking questions about what has been included, what has been omitted and why.

Therefore, understanding my *personal* position and the assumptions that I had about the day-to-day operations of SMEs was very much influenced by my own experience of working in a small firm. It became clear as the work progressed that these experiences affected the way that I categorised both the data and, more importantly, the people I met during the research process.

Doing Research in ethnographic tradition

Most textbooks of methodology assume that doing research is a straightforward process. The investigator is to set off with clear aims and objectives of what the study is about, and declaring aims and objectives, setting out hypotheses to be tested and develop rigorous methods, producing knowledge in the form of findings, and demonstrating how the study adds to the body of knowledge. Yet the reality, as I experienced it, is a different matter. The overall research process since its conception to completion has been one that was overwhelmed with challenges. On reflection, setting off on the path of discovery had seemed uncomplicated and manageable. I had a clear idea of my chosen subject matter for the study and undertook the University's customary research methodology training over a period of 6 months. As an inexperienced social researcher I also committed myself some in-depth reading of textbooks and journals in research methodology. After these intensive research training and readings, I soon discovered that the methods available for conducting social research were almost endless. While being fascinated by these choices, I also found them confusing and puzzling as they are frequently ill-defined and overlapping. As other researchers have suggested, clear lines of distinction between these approaches are undefined, sometimes overlapping or

complementing each other (Burgess, 1984). Doing research requires a choice of method which is best suited to the needs of the project. This decision requires careful consideration.

As I have outlined earlier, the main focus of this thesis has been the examination of the inter-organisational relationships of SMEs and the ways in which they collaborate to compete internationally. Its concern is with the working relationships and experiences of managing these key organisational relationships at both the operational and strategic levels. In a sense, this made the choice of method reasonably straightforward. I had no hypothesis or theory to test, only a desire to uncover the everyday meanings and experiences of the social actors who were involved in the process over a specific period of time. These requirements therefore seemed best suited by the tradition of naturalistic inquiry and specifically ethnography. As Hammersley (1990) points out ethnography is “best suited to social research that attempts to study people’s behaviour in the everyday context and which does not have a hypothesis to test but aims to uncover meanings and human action” (p.1-2).

In addition, ethnography seemed also to have other strengths that would be beneficial to the project. Firstly, I had no clearly defined theory of how the formation of inter-organisational collaborations between SMEs could lead to any strategic advantage to help them compete internationally, only an awareness of the various discourses associated with its meanings. Very little has been researched to explore the surrounding issues which have arisen from the inter-organisational collaborations of SMEs. Even

less is known about these collaborations within the internationalisation process of firms, that its theory and practice remained unattached. As Glaser and Strauss (1967) and Hammersley and Atkinson (1984, 1995) have argued, a major strength of ethnography is its capacity to develop theory and challenge the dangerously misleading preconceptions that social scientists often bring to research.

Ethnography also lent itself to be a suitable method for me due to its flexibility for developing the research focus. At its conception the project was vague and its parameters were ill defined. All that I had was what Malinowski (1922, cited in Hammersley and Atkinson, 1995,) refers to as “preconceived ideas” or “foreshadowed problems” about the issues involved:

“Good training in theory, and acquaintance with its latest results, is not identical with being burdened with preconceived ideas. If a man sets out on an expedition, determined to prove certain hypotheses, if he is incapable of changing his views constantly and casting them off grudgingly under the pressure of evidence, needless to say his work will be worthless. But the more problems he brings with him to the field, the more he is in the habit of moulding his theories according the facts, and of seeing facts in their bearing upon theory, the better his is equipped for the work. Preconceived ideas are pernicious in any scientific work, but foreshadowed problems are the main endowment of a scientific thinker, and these problems are first revealed to the observer by his theoretical studies.”

(p.24-25)

Ethnography with its focus on reflexivity and the role of the researcher appeared to offer a method of tackling these issues. Firstly, it promised to be a useful means of developing the research process around the issues of SMEs as important, allowing the flexibility to change and develop the research as required. Secondly it promised to provide a framework in which preconceptions could be brought out and discussed in relation to the findings.

Having chosen ethnography as a method, it appeared to have offered a solution to the problems of a lack of theory and focus. Nevertheless, it also created other hurdles that had to be overcome in doing research. Firstly, there was a need to understand the meaning of 'doing ethnographic research' and the techniques associated with this method. The answers to these questions are, however, laden with ambiguity. As Hammersley and Atkinson (1995) noted that "one of the reasons why there has been reluctance to give advice about how to do ethnographic research is awareness of the fact that such research cannot be programmed, that its practice is replete with the unexpected, as any reading of the many published research biographies now available will confirm" (p.23).

Ethnography has its origins in the discipline of anthropology practised in the late nineteenth century which allows the researcher to use the socially acquired and shared knowledge available to the participants to account for the observed patterns of human activity (Hughes et.al., 1994). In many respects ethnography is the most basic form of social research. Agar (1986) defines ethnography as the social research style that

emphasises encountering alien worlds and making sense of them. Ethnographers set out to show how social action in one world makes sense from the point of view of another and it requires an intensive personal involvement, an abandonment of traditional scientific control, an improvisational style to meet situations not of the researcher's making, and an ability to learn from a long series of mistakes. He speaks of ethnography as a function of the ethnographer who brings to his or her work the tradition in which he or she participates, including the training received in professional socialisation. Ethnographies are also a function of the group among whom the ethnographer is working, and depend on the nature of the audience. Ethnography is thus a "process of mediating frames of meaning" - a phrase borrowed from Giddens (1976), as cited in Agar (1986). The nature of a particular 'mediation' will depend on the nature of the traditions that are in contact during research.

Ethnography, in practical terms, has a number of features (Atkinson and Hammersley in Denzin and Lincoln, 1994). McCall and Simmons (1969) summarise ethnography as:

"...some amount of genuine social interaction in the field with the subject of the study, some direct observation relevant events, some formal and a great deal of informal interviewing, some systematic counting, some collection of documents and artefacts, and open-mindedness in the direction the study takes." (p.1)

The fieldwork of ethnography is undertaken in the natural setting of the inhabitants. The ethnographer 'lives with' and 'lives like those who are studied for a lengthy period of time (Hammersley and Atkinson, 1995). The investigation is carried out in ways that are

sensitive to the nature of the setting; an attitude of respect or appreciation is adopted in order to engage in interacting with the people in their own language and on their own terms (Kirk and Miller, 1986).

The ethnographer typically relies on his or her humanity to gather and interpret data when he watches what happens, listens to what is said, ask questions and read what is available. There is a close resemblance between the researcher and the routine ways in which people make sense of the everyday life (Hammersley and Atkinson, 1995). The difference is that researchers approach 'sense making' in a systematic and purposive way and study their "surroundings regularly and repeatedly, with a curiosity spurred by theoretical questions about the nature of human actions, interaction and society" (Adler and Adler in Denzin and Lincoln, 1994, p.377).

The design of an ethnographic study is not tightly structured but open and flexible (Cassell and Symon, 1994). In addition, its course cannot be predetermined by the ethnographer at the outset of the investigation. Rather, they are required to be open, with only a broad prescription for the fieldwork. The study design is therefore emergent "because meaning is determined by context to such a great extent; because the existent of multiple realities constrain the development of a design based on only one (the investigator's) construction; because what will be learned at a site is always dependent on the interaction between investigator and context, and the interaction is also not fully predicable; and because the nature of 'mutual shapings' cannot be known until they are witnessed" (Lincoln and Guba, 1985, p.208)

Cassell and Symon (1944) stress the importance of explicitly recognising the impact that the researcher has on the research process when doing ethnographic research. Denzin and Lincoln (1994) state that “behind an ethnography stands the personal biography of the gendered researcher, who speaks from a particular class, racial, cultural, and ethnic community perspective” (p.11). Remenyi et. al. (1998) claim that research is affected by the hopes and inspirations of the researcher. The values and interests of the researcher facilitate (as well as inhibit) relations with participants.

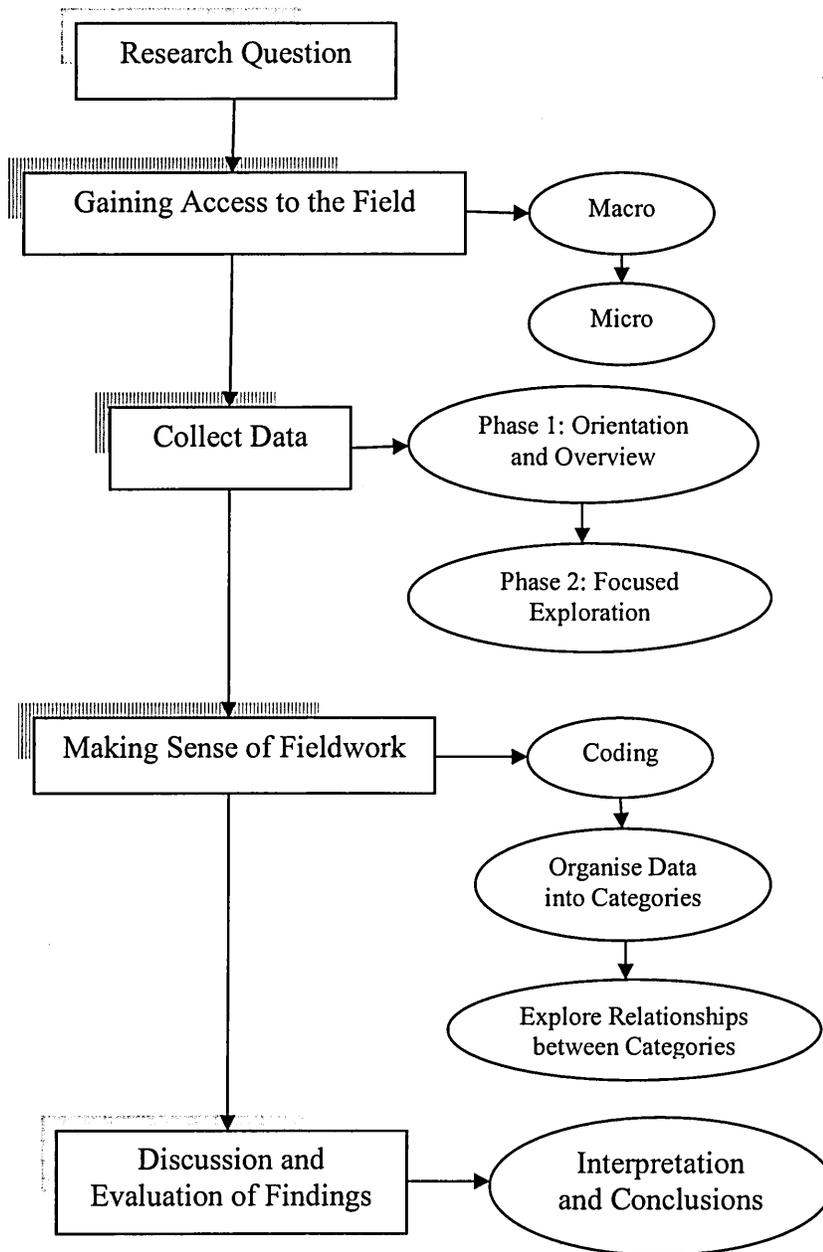
Kilduff and Mehra (1997) suggest that the ethnographer should demystify the process by which data and findings are produced and reported through a reflexive account of the research act. This includes the researcher specifying the structures or conceptual framework(s) used to guide the research and his or her personal values, as well as elaborating on the social interaction with participants. Hammersley and Atkinson (1995) argue that “all social research is founded on the human capacity for participant observation. We act in the social world and yet are able to reflect upon ourselves and our actions as objects in that world” (p.21). For the reader, the reflexivity embedded in the research process would allow him or her to assess both biases and insights in the ethnographic work.

Section two: The process of discoveries

The nature of research method chosen in this study, and the data gathering (i.e. participant observation, interviews and field notes etc.) and analysis techniques (i.e.

grounded theory) prevent. claims that this research has been designed in advance. Strategies for data gathering were planned and thrown away when they failed or proved insufficient and new strategies were developed. Therefore, the research process was designed and redesigned as the research progressed. As a result, it is more appropriate to discuss it as a process of discoveries. The process in this research refers to the constant interplay between data gathering and data analysis processes.

This section accounts for the ways in which the issues raised in the previous discussion affected the day-to-day processes of fieldwork discoveries in a reflexive form that helps to focus the research and make sense of the findings. These include gaining access, developing and maintaining a role in the field, asking questions, and recording and making sense of the data. This is illustrated in the following diagram.



Gaining access to the field

Gaining access to the field is a major issue in the early stages of the research. It is something that has to be given carefully consideration and negotiation before any fieldwork can be undertaken as this is of central importance in developing the structure

of the research project. In reviewing my field notes, it is apparent how this process affected the overall focus on the research. For instance, the initial aims of the early stages of the research were changed extensively part way through the data gathering process as a response to exposure to new insights and experiences. In order to address unanticipated problems, complications of access and maintenance of the researcher role in the field, it became necessary to develop a less structured method than originally intended.

Brewer (2000) opens his discussion on gaining access to the field by suggesting that “ethnographers gain entry to the field in a variety of different ways, which vary from case to case, meaning that practitioner must remain flexible. Sometimes access is by means of an introduction by a member, and the closer the ties the member has to the group the greater their ability to vouch for the researcher. Where no such intermediary exists, entry can be effected by performing some non-threatening role in the field (p.82).

My rationale for choosing to undertake the field work within SMEs evolved because I felt that in this setting I could develop a research role that was non-threatening while giving access to a cross section of small and medium-sized manufacturing firms within the healthcare industry. This is in line with the theoretical sampling of the grounded theory approach, which consists of developing the sample on the basis of concepts that have proven theoretical relevance to the evolving theory (Strauss and Corbin, 1990, p.176). Although these objectives were achieved, questions of access, changes were made as a result of access issues and alternative strategies developed to ensure

involvement of specific groups. It is also the case that selecting to undertake research in these firms created its own problems in terms of who the participants were and my role as researcher.

Gaining access to the 'macro' was relatively unproblematic compared to access to the 'micro'. It was facilitated when the company in which I undertook my industrial placement reached a collaborative agreement to allow me, via my research study and support from the University, to undertake relevant areas of research which would be beneficial to the long-term strategy of the company. In return, the company agreed to provide me with appropriate research sponsorship to conduct this study.

In view of the company's future expansion, the company was seriously considering the possibility of setting up a strategic alliance with other SMEs which could provide greater strategic benefits and management flexibility. To ensure success with certainty and to avoid expensive failure, the company decided to seek further understanding of forming and managing strategic alliances by conducting a systematic management research into its current strategic alliance with other manufacturers in the form of Healthcare Alliance UK. The Healthcare Alliance UK was an experimental strategic alliance funded by Medilink, a non-profit making regional trade support organisation for the medical and healthcare industries in the Sheffield and Humberside regions. To enable effective data collection, I was given access to all executive meetings and key informants. I was required to discuss my findings to the Board at regular intervals.

My access to the macro was further facilitated when I was appointed the Alliance Coordinator of Healthcare Alliance UK. This was an important breakthrough in terms of gaining access and getting closer to the field as this opportunity eventually allowed me to make constructive contribution to the Alliance and gain deeper insights into the phenomenon in question.

Once I had gained access to the field of study (i.e. the macro), the central issue was how to get the firms involved (i.e. the micro). Access to participants was essential and an issue that remained throughout the project. From its conception to completion it was necessary to continually monitor who the respondents were to ensure the variety of groups and individuals were incorporated. These issues became of central importance as I became sensitised to the demographic structure of the alliance of these SMEs.

Brewer (2000) maintains that entry to the field is affected by whether the researcher is overt or covert. If it is overt, access must be negotiated and permission obtained; while permission is not needed for covert entry since the research is disguised, entry must still be thought about in order to establish the most suitable role from which to research covertly. For instance, it must be a role that warrants the researcher's presence in the field and permits features of the inquiry such as asking questions and taking notes.

By using the researcher's closeness or distance from the research settings, some authors distinguish four types of researcher's role: complete participant (participating as a normal group member and concealing the research); participant-as-observer (researching

the field while participating fully in it); observer-as-participant (participation in the field is limited and the role of researcher is to the fore); and complete observer (no participation in the field). The first two involves covert research, the second overt (Hammersley and Atkinson, 1984, 1995).

In this study, I had no intention to undertake a completely covert approach. I was however aware that the gatekeepers (i.e. my initial placement company and Medilink) might have given permission on other people's (i.e. other participating SMEs) behalf. Brewer (2000) explains that "these distinctions are best seen as ideal types, for in practice the overt-covert distinction is a continuum with different degrees of openness, and the roles developed in the field vary with time and location. Permission may well have been negotiated with some people in the field but not all, requiring different degrees of openness in the extent to which details of the research are revealed to everyone (p.84-5). I found it essential and pragmatic to 'slip between the roles' of researcher and work colleague as the occasion determined, developing roles that approach both complete participant and participant-as-observer simultaneously. To achieve this I entered the field with a generalised notion of what my role would be and how I would present myself. This I formulated as the Alliance Co-ordinator who is 'doing some research'. This flexibility is of central importance in terms of building up relationships, trust, encouraging participation and getting access to crucial information. Throughout the study, I made no attempt to conceal my role as a researcher undertaking research for my research study although I also made no explicit effort to 'broadcast' my

research intentions to every participant especially those whom I regarded as not interested in my research.

My role in the field setting as the Alliance Co-ordinator had positive and negative implications which both helped and hindered my attempts to gain access to crucial data. Firstly, the role had enabled me to build up a good working relationship with Medilink which was crucial in facilitating a broader understanding of the context and access to essential secondary data. Secondly, the role had provided me with a legitimacy to play an active part in discussion, development and implementation of important strategies, gaining crucial insights of the process and the workings of the inter-organisational relationships.

Apart from that, having the role of Alliance Coordinator was beneficial in other ways. For example, similar to Jenkins (1984), it made me feel more at ease, especially when I was uncertain about what I was doing as a researcher. At these times I could fall back into my coordinator role and give myself time to reorganise and evaluate what I was doing. Doing research of this nature can create times when nothing was happening and I would be sat around waiting either for someone to phone or for a situation to arise that seemed interesting. Taking on the alliance coordination responsibilities helped me at these particular times, feel active and useful. It was also useful in that the perception SMEs had of the coordinator is someone who was sympathetic, who was on their side and someone whom they could confide in. Being identified in these terms was an

advantage in that most firms seemed to feel at ease with me, showing a willingness to open up and discuss a wide range of issues about their own firms.

However, being perceived as the Alliance Coordinator also had its problem. The danger of *going native* or over-identifying with the people studied may hamper the respective distance that the researcher should maintain in order to keep objectivity and his own identity. As a researcher, there were times I felt that I was becoming too involved in the day-to-day administration and management, losing sight of the research focus (Coffield and Borrill, 1983).

This became evident when there were difficulties in maintaining balance between being a member of staff and a researcher. Drifting into the Alliance Coordinator role tended to happen either when I was feeling unsure about what I was doing or when the SMEs approached me as their coordinator.

In the field

The overall process of fieldwork took approximately 2 years but my engagement with the research context (e.g. getting to know Medilink and some of the SMEs involved through various business events) began 3 months prior to any formal fieldwork took place, and went on approximately another 2 to 3 months after I left the field (e.g. informal telephone conversations with some of the participants). The entire process of fieldwork can be divided into two general phases: (1) the orientation and overview

phase; and (2) the focused exploration phase. It is difficult to pinpoint exactly when one ended and the other began, as these two phases were not mutually exclusive.

One of the key issues that I needed to deal with before making an entry into the field is the choice of data collection methods which are to be used for generating meanings from the research settings. In naturalistic enquiry, researchers are normally advised to begin with as little control of their methods as possible and with as much natural interaction as they can. Yet such an approach fails to recognise the anxieties of the researcher and the continual pressures to produce a structured methodological procedure. The approach that I took was developed as a compromise to these two issues by following as closely as possible a predetermined set of procedures which also recognised the need to be flexible in responding to the complexity of situations.

In this study, a number of strategies including participant observation, interviews and survey were employed for data collection purposes. As Burgess (1984) suggests, single strategies are problematic, using narrow methods of data collection. These may be relevant for discovering answers to specific questions or descriptive accounts but single strategies have a limited use in generating theory or discovery. They may also tend to be inflexible, unable to respond to the events and situations a researcher may encounter. Doing research therefore requires a method that is appropriate for discovery and flexible to a possibly changing situation. As Burgess (1984) believes that “researchers need to take the situations into account and to approach substantive and theoretical problems with a range of methods that are appropriate for their problem” (p.143). Strict and rigid

adherence to one particular method therefore may be restrictive, limiting the scope of the research and the extent of discovery. The researcher role that I adopted is that of a “methodological pragmatist” (Schatzman and Strauss, 1955, p.7) who sees any method of inquiry as a system of strategies and operations designed for getting answers to certain questions about events which interest them.

With the discussion of multiple strategies, triangulation is an important issue but such terminology has been defined differently by different authors (Burgess, 1984). For instance, Douglas (1976) refers to mixed strategies in which different methods of investigation are used in relation to a particular problem. He suggests that this consists of three principles. Firstly, researchers need to keep their options open at the start of a project; secondly, flexibility should be central; and thirdly, uncontrolled methods should be used to determine how controlled methods should be used. On the other hand, Burgess (1984) prefers a wider and more flexible approach to triangulation when he suggests that the approach should include not only a flexibility of method but also of theories, data and investigators. This should be used not alongside each other but in an integrated fashion. The concept of multiple strategies is of central importance to this research project as this approach allowed the development of a framework for data collection dependent upon the situation rather than having to follow the rigid set of procedures of a single strategy. The nature and the methodological construction of this study would have been very different if this flexibility had not been available.

The orientation and overview phase began in January 1999 and lasted for approximately six months. It involved, as Lincoln and Guba (1985) suggest, prolonged engagement and openness to 'what is in the field'. This openness can be expressed as 'I did not know what I did not know'. This phase consisted of a number of informal interviews with staff members at Medilink and some of the SMEs, observation at meetings, attendance at miscellaneous business events, and the collection of relevant documents. In the words of Taylor and Bogdan (1984), the focus of the data collected was on the 'substantive area' of the Healthcare Alliance UK, in particular, the early days of its formation, through which I became familiar with the research settings.

One of the most significant components of this phase of the investigation was the informal interviews with the director of Medilink, Participant Orthopaedic Innovation and Participant McKenna, who were the managing directors of two of the participating SMEs. These interviews were more "spontaneous, informal conversations in places that are being used for other purposes" (Hammersley and Atkinson, 2000) than "formally arranged meetings in bounded settings" (p.139). They usually took place before, during or after a business event or meeting. The role of a "naïve incompetent" (Hammersley and Atkinson, 1983, p.83) was adopted in order to generate an overall picture of 'what is going on' and to build trust with interviewees. This approach allowed the participants to provide information in a manner that they saw fit and to discuss topics that they considered to be important for the study.

The interviews were essentially unstructured in nature, although these ‘informal conversations’ were approached with a list of issues to be covered. At the beginning, the issues were tentative and related to the matters of context, requesting information about conceptions of the formation of the Healthcare Alliance and the motives behind it. As the interviews were unstructured, the participants were given the freedom to relate to their notions of what they perceived as important and also encouraged to structure the account of the situation themselves. Later interviews started with “warming up” questions (Lincoln and Guba, 1985, p.270) on contextual matters, and would then move onto matters and specific activities associated with the Healthcare Alliance. It was intended to obtain “here and now constructions of persons, events, activities, organisations, feelings, motivations, claims, concerns and other entities; reconstructions of such entities as experienced in the past; projections of such entities as experienced in the past; projections of such entities as they are expected to be experienced in the future” (*op.cit.*, p.268). Documentation was requested wherever possible in order to triangulate the findings.

In the course of the orientation and overview phase, a series of meetings were attended as an observer-participant i.e. limited participation while the role of researcher is to the fore. Although my role as the Alliance Coordinator did not materialise until May 1999, my permission to sit in was automatically granted because I was acting as the official representative of Participant Orthopaedic Innovation. Field notes were made at each meeting and transcribed within 24 to 48 hours. My presence did not appear to make any more notable difference than being introduced as a new member of the team. This might

be also due to the fact that most participants were not told of my role as a researcher and that they were observed. It could be interpreted that my presence was received as non-threatening and all the executives in attendance 'just wanted to get on with the business' in these meetings. This was helpful to the research as it resulted in my being treated as a colleague and with participants behaving as naturally as possible.

During this phase, I made little or no contribution to the discussions at the meetings, and handwrote as completely as possible matters raised. Due to the covert nature of my fieldwork, tape-recording the meetings would have been inappropriate and almost impossible to transcribe. Making notes was easily tolerated since other members at the meetings made notes as well. The focus was on capturing the words exchanged than on the non-verbal language of the participants. All the documentation and minutes were collected.

In addition to interviews and attendance at meetings, I attended miscellaneous business events, as a complete observer in order to gain a broader picture of the contexts and settings. These meetings were mainly organised by Medilink, the Sheffield Business Links and the local Chamber of Commerce which included a number of seminars, trade fairs and conferences usually targeted at hospital clinicians and the healthcare industry. I collected a variety of documentation, conference/seminars handouts and product information as well as made field notes of my observation. Making comprehensive field notes was not possible as I was almost always accompanied by other event attendants

and making small talks. Once again, comprehensive field notes were made only after the event, usually within 24 to 48 hours.

Approximately six months later, I became familiar and knowledgeable about the research settings. My fieldwork entered the focused exploration phase, which entailed persistent observation and participation in the field in order to gather in-depth information on salient elements on the phenomenon and on the context. While the data collection techniques remained fairly similar to the previous phase i.e. participant observation, interviews and attendance at events, my role as a researcher changed from being an observer-participant to one that evolves between a complete participant (participating as a colleague and concealing the research) and a participant-observer (researching the field while participating fully in it).

Being an official representative of one of the participating firms (i.e. Orthopaedic Innovation), and eventually the Alliance Coordinator, necessitated the attendance and active participation in the planning and day-to-day operations of the Alliance. In attendance, I acted as an executive and colleague following the task-orientation of these meetings. Again, my presence was not perceived by others as threatening but seen more as an equal member of the team and an 'extra pair of hands' for business activities. In other words, I made active participation in the shaping and operationalisation of the activities within the Alliance. If a matter arose that seemed of significance and note worthy (e.g. heated discussion on budgetary issues), I would make specific remarks in my notes. I limited my notes to 'jottings' (Crabtree and Miller, 1992). The jottings,

which consist of phrases used or key words, served to trigger my memory of what had happened. In all the meetings, I tried to record as many conversations as possible on site and reconstruct the meeting in my field notes within 24 to 48 hours.

The interview was again a very important component of investigation. As before, these interviews were more spontaneous, informal conversations in places that are being used for other purposes, usually taken place before, during and/or after the meetings. In fact, numerous informal interviews actually took place during journeys to and fro meetings or events in the car. In addition, a number of interviews were also undertaken after one-to-one business meetings arranged with specific executives of the Alliance. The questions used to generate conversation and interview data were not unduly prescriptive or leading. However, there was an interview agenda i.e. topics that had been identified based on my own entry experience and the literature. These interviews normally started with the generation of information about the participant's own company's activities. For example, questions such as "can you tell me more about your latest export order?"; "how did you find (the country) as a potential export target market?"; "how competitive do you think your new range of (the product) in comparison to (the immediate competitor) in (a country)?" "what sort of benefits do you see being part of the Alliance?" and "did you find (a marketing activity) organised by the Alliance helpful in establishing business contacts in (a target market)?" sought to encourage a descriptive or reflective perspective on the part of the respondent. With most of the interviews working relationships were formed and discussion continued in later business encounters. These

conversations were not tape-recorded as they were spontaneous and informal but were recorded in my field notes.

Throughout the focused exploration phase, I continued to attend miscellaneous events arranged by Medilink, the Chamber of Commerce and/or the local Business Links. These included trade fairs and seminars, exhibitions, conferences and Medilink annual general meetings. As a known executive to many of these firms, I was often invited to attend these events. Again, my role as a researcher in these events was a complete observer only asking questions of a general nature that related to the specific activities or people in these events. Note taking on site was usually not possible and I tended to jot things down for making more complete field notes after the event.

The period of focused exploration came to an end in December 2000 due to first, a point of “redundancy” had been reached (Lincoln and Guba, 1985, p.202) as the Alliance was to be dissolved as a company as members refused to continue funding and participating in it, and second, it was time to make an exit from the field i.e. the “physical removal from the field and emotional disengagement from the relationships established there” (Brewer, 2000, p.101) in order to conduct more formal analysis of the data and write up the findings.

Recording and organising data

In discussing the use of field notes in ethnography for recording observational data, Hammersley and Atkinson (1995) suggest that;

“...field notes consist of relatively concrete descriptions of social processes and their contexts. The aim is to capture these in their integrity, noting their various features and properties, through what is recorded will clearly depend on some general sense of what is relevant to the foreshadowed research problems.”
(p.175)

Taking field notes was the most important research tool for data gathering and recording. These were used to record observation, interviews, talks, telephone conversation as well as reflection on events/meetings. They allowed me to follow the experience of the participants during the different stages of their involvement in the Alliance, and the internationalisation process of their own companies. In other cases such as trade fairs/seminars, I also took field notes. These vary in the way they were gathered and recorded, as they range from casual encounters, small talk, telephone calls to email messages. The details of the place, people, activities, events, time and date and the feelings involved were usually recorded to help reconstruct the occurrence. It was important not to confuse observation and interpretation; record what is seen and heard (i.e. substantive field notes) and keep this separate from my interpretation of it (i.e. analytical field notes) (Brewer, 2000).

On reflection, keeping track of events and making notes were difficult in any circumstances, in view of the absence of clear boundaries between the difference/similarity of a researcher and an active participant. My responsibilities as the

Alliance Coordinator frequently took priority over my role as a researcher in the field. Many observations were therefore not recorded and hence were lost as data.

Making sense of the fieldwork

Having made an exit from the field, I was now ready to formally undertake the final stages of analysis and writing up of my findings. Given that ethnography is best perceived as a process rather than a sequence of discrete stages, as Brewer (2000) suggests, data analysis is simultaneous with data collection. For this study, the process of data gathering and analysis were taken as ongoing and essential for developing the research focus and the construction of theory. It was a process that not only continued throughout the final stages of the study but central to the completion of this thesis.

The process of analysis varies slightly in the different types of ethnography. Data analysis within positivistic ethnography remedies the weaknesses of ethnographic compared to numerate data by constructing objective indicators of insiders' understandings and expressing them in a formal language, almost as a kind of measurement, such as the development of codes, diagrams and other categories which map the insider's cultural world as a series of variables between which there are supposed causal links (Brewer, 2000). This approach can be found in Huberman and Miles (1998). Humanistic ethnography, on the other hand, seeks to reconstruct the *reality* of the insider's world and construct accurate descriptions of this as if from the *inside* but avoiding formalistic language and dubious indicators of meaning that are divorced from the people in the field. This sort of data analysis allows the humanistic

ethnographer to believe it is possible to convey with accuracy the meanings of people in the field under study by remaining true to the meanings themselves, by 'telling it like it is' in members' own terms. In this way, reality is captured more objectively by means of greater attention to the subjective meanings of people (*op.cit.*). Both the positivistic and humanistic types of ethnography tend to favour the use of analytic induction for grounded theorizing as a general strategy for analysis as it enables the development of inductively derived theories and (at least) a limited form of empirical generalisations.

The ontological and epistemological stance of the research however can accept neither the positivistic ethnographer's assumption of an objective reality that can be captured accurately by distancing the analysis from social meanings (in the form of external indicators), nor the humanistic ethnographer's pretence of 'telling it like it is' (by immersing the analysis in the social meanings). Rather, the type of ethnography pursued in this study holds the view that data is created in and through the interactions that occur between the researcher and people in the field, and analysis must therefore illustrate the situated or context-bound nature of the multi-vocal meanings disclosed in the research (*op.cit.*). It also looks inward: (1) to the sort of relationships developed in the field, the social characteristics and the personality of the researcher and how these related to those of the people in the field; and (2) to the time, setting and circumstances in which the research was carried out, to the methodology and fieldwork practice used, the sensitivities and dangers surrounding the topic and location, and even the broad socio-economic and political situation at the time of the research (*op.cit.*).

From a broader perspective, the process of analysis in the ethnography generated from this study shared what Brewer (2000) called a 'weaker' form of induction i.e. the commitment to bring order to the data, organising what is there into patterns, categories and descriptive units, and looking for relationships between them. This study is committed to this form, inductive analysis which involves the discovery of theory from the bottom up, building generalisations and inferences from the data themselves.

In practice, methods of analysis differ (Walker, 1985) as following a given set of analysis procedures (for example, Hammersley and Atkinson, 1995; Burgess, 1984; Miles and Huberman, 1994) can be problematic as they tend to be methods developed by authors to tackle specific studies. In other words, because each research project has its own focus and needs, it can be difficult to make transference of these methods into other projects without taking into consideration of the unique external and internal requirements of a given study. It was therefore necessary to develop a method of analysis appropriate to the specific needs of the research that was both rigorous and accurate.

Data was analysed throughout the duration of the field study, and more formally after leaving the setting. When still in the field, data was analysed tentatively as the process flowed between data collection, analysing, changes in the design and more data collection and analysis. Data was collected with an open mind with no strong ties to any particular conceptual framework. Nevertheless, certain areas of focus were developed and adopted throughout the research as a result of a process of negotiation between my

own understanding and experiences, literature review and participants' perspectives. To facilitate this, a series of codes were adopted to "serve as shorthand devices to label, separate, compile and organise data" (Charmaz, 1983:186). This process of coding provided a simple and yet effective tool to 'drop' data into categories and sub-categories as they were collected in the field. Some categories to which data were placed changed over the period of the study. For example, the research journey started with a strong interest in the internationalisation of those firms involved in this research. As the fieldwork progressed, the data that emerged from it were instead strongly related to the inter-organisational relationships and corporate governance of the alliance. As a consequence, codes were added or extended as new insights emerged. A total of seven categories were eventually developed i.e. contexts of the social setting, inter-organisational relationships, decision-making, conflict of interest, trust, inter-organisational learning and alliance governance. Hammersley and Atkinson (1995) identify this as thematic or topical organisation, which can be an excellent way of encapsulating a great deal of information, drawn from a range of settings, in terms that may be broadly comparable with other published accounts. Relationships between categories can then be explored in such a way that would allow connections or patterns between these categories to emerge.

It is recognised that construction of this approach to data analysis required careful consideration. Firstly, there was a danger of setting up and categorising what essentially was a complex process into a set of structured, neat and ordered categories, which could produce a misleading picture of what actually went on in the field. Secondly, such an

approach could, if undeveloped, fail to highlight the inter-relationships between different areas of focus. For instance, to examine inter-organisational learning without recognising its connections to personal relationships and trust would have failed to fully indicate the complexities of the issue.

Once the focus of the analysis had been decided under these themes, I then set about making sense of the data. Following the advice of my supervisors, my first task was to transcribe and examine all the data collected and to separate them under different categories. The process of transcribing can be time and energy consuming, and in methodological terms, can also be subjective. As a researcher, I was conscious that in the process of transcribing and looking for key words a selection process could be allowed to develop. This could result in possible important findings being missed out and/or an undue priority was given to my pre-judgements about what was perceived to be worthy and important for the research.

This personal approach to data analysis also brought some advantages in the development of analysis. When transcribing, I became deeply immersed in the data. Having written and read the transcripts over and over again helped me to become an expert in 'who said what', 'why they said what was said', and 'how certain things was said' etc. Following this, categories, sub-categories, questions and contradictions began to emerge thus facilitating the analysis process. This approach also helped me to understand and appreciate the complexities of the issues involved and the inter-relationships between different categories.

Once the categories, sub-categories, questions and contradictions emerged, chapter structures were constructed which would accommodate the data that had been generated from the fieldwork, and the corresponding discussions and interpretations. The evaluation and interpretation of findings were inductively derived through the iterative process of data collection, data analysis and reading a wide range of relevant literature. It was through this iterative process of induction and continuous reflection on relevant literature that a contribution to the understanding of how firms collaborate to compete internationally was eventually constructed.

Chapter summary

It is the aim of this chapter to address the matters pertaining to methodology, providing and explanation of the blend of research methods and strategies applied in this research. Qualitative research is justified as the approach on which this study is grounded with special emphasis on the research process. The second section of this chapter attempts to put together the elements involved in the process of discoveries: gaining access, my roles in the field, and data collection, management and analysis approach, as well as the interplay of these elements. This is also a reflective account of the fieldwork undertaken and explanation of how dilemmas were solved and decisions made. In conclusion, it is argued that doing research and its construction is an ongoing process that is affected by internal, external, academic as well as personal influences.

In chapter four, the contexts of this research is presented to provide the information on the social settings in which the study took place. The presentation introduces each of the ten firms studied and briefly explored the events and challenges they faced over the time period they were studied. The intention is to set out the contexts for data analysis and discussion in chapter five.

Presenting the Contexts

Chapter Four

Chapter introduction

In chapter three of this thesis, it is suggested that the fieldwork of ethnography is undertaken in the natural social setting of the inhabitants. The ethnographer ‘lives with and lives like’ those who are studied for a lengthy period of time. The investigation is carried out in ways that are sensitive to the nature of the setting in order to engage in interacting with the people in their own language and on their own terms. Any ‘sense making’ on the part of the ethnographer of how the inhabitants perceive their worlds, what issues concern them and how they perceive the issues that concern them should only take place within the contexts of the social setting under scrutiny. This chapter presents the social setting in the form of the organisational contexts in which this research study took place. Here, I introduce each of the ten firms involved in this study and briefly explore their origins and the challenges they faced in internationalising their business activities.

In constructing an account of these contexts, I was confronted with the problem of describing the exact nature and purpose of the strategic alliances formed between the ten UK firms in this study. During the time of the research, it is comprised of individuals with different worldviews, perspectives and styles of management on the subject of how best to collaborate to maximise strategic advantage and the process of achieving this. In constructing the ‘story’, I have taken into account a range of perspectives, but it is inevitable that this story, will be a partial one. I have attempted to obtain confirmation of the story I tell by means of immediate follow-up interviews or conversations with the participants responding to my initial account. The intention is to present an “ideographic

interpretation” (Skrtic, 1985, p.199) of the event of the firms followed, in terms of the particulars of the firm themselves rather than in terms of any broader analysis. The objective in the *verstehen* tradition, as Doole (2000) in her longitudinal study of how small and medium sized firms learn to compete effectively on international markets suggests, is “to build an account of the key developments within a firm in their international markets over the period of the study from the perception of the person being interviewed” (p.114). There is therefore no attempt to analyse critically the materials presented here with extant literature.

Presenting the organisational contexts

This presentation intends to provide the reader with an introduction to the focal organisation of this study - Healthcare Alliance UK, which was essentially the corporate form of the inter-organisational collaboration between the ten firms in this study. In addition, it also sought to introduce the reader to each of the ten firms and exploring their origins and the challenges which they faced in internationalising their business activities.

In writing this presentation, I experienced difficulty in describing the exact nature and purpose of the inter-organisational collaboration formed between the ten UK firms in this study. These firms appeared to fit in the archetypal small and medium sized manufacturing firms/enterprises. For instance, they typically employed less than 250 employees; have an annual turnover of less than £5 million; managed by its owner or part-owners; and manufacturing a small range

of specialist products in an identifiable sector. To anyone with previous experience of these firms, they are instantly recognisable. At the same time they are very different from each other. In the imaginary scenario that the firms swapped places they could be completely out of place. Most of their differences are difficult to decipher. The size of the firms, the outlook and organisation of operations, the roles of the participants, the strategic intents are some of the examples. In a sense, understanding firms or organisations as an entity requires an outside perspective as they are symbolic representations of the contexts in which they belong and products of these contexts.

Defining the 'context' and deciding how to present it in order to 'understand' these firms is not simple. It seems easy to say that the wider politico-economic, cultural and historical contexts define these firms. However, moving from this statement to a contextual understanding of the 'firms' is not as simple. For example, Placier (1998) argues that "qualitative researchers cannot become historians in order to provide historical contexts for our studies. Qualitative research is already a labour-intensive enterprise. We can, however, deepen and challenge our present-day interpretations by developing a more thorough understanding of the construction of history and the varieties of historical work available" (p.320). Producing a complete contextual framework for this study is outside its remit and my abilities as a researcher. In the same way the text cannot include a complete political, economic or cultural account as the exact boundaries of this account are problematic.

In compiling this presentation, I have utilised a wide range of data sources. As I write this, a large pile of articles, statistics, company information, annual reports and notes are stacked up on my desk. In this study these documents are used to help understand the contexts and thus provide the ‘tools’ with which to understand the ethnographic knowledge of the firms. In addition, their aim is to support (as they have also shaped) the arguments of the study. In doing this, the references made to these documents, the information given and the underlying theories and assumptions are not ‘neutral’ ones. They become also the ‘data’ of the study. The presentation that follows aims to provide a context where the author and the reader can understand as well as feel the firms, and the actions and words of their participants.

The Healthcare Alliance UK Limited

Healthcare Alliance UK (hereafter HCA) was the equity joint-venture of ten British healthcare manufacturing companies, which are part of a cluster based in the Yorkshire and Humber region. The construct of equity has its recent roots in exchange theory, in which individuals seek to reconcile their self interests with the need to maintain social relationships (Homans, 1961; Blau, 1964). Historically, the roots of equity can be traced back to the English Common Law. The “conceptualisation of equity, though consistent with early views expressed by social exchange theorists”, as Ring and Van de Ven argue (1992), “does not require that we deal with concepts of justice in the rich detail provided in more recent social-psychological literature (see, for example, Greenberg and Cohen, 1982)” (p.92-4). This can be reflected in the transaction cost theory, which uses

efficiency to define the quickest and most economic governance structure to undertake a transaction within the constraints of production cost.

In describing the transaction costs that he is concerned with, Coase (1937) explains that in order to carry out a market transaction it is necessary to discover who it is that one wishes to deal with, to conduct negotiations leading up to a bargain, to draw up the contract, to undertake the inspection needed to make sure that the terms of the contract are being observed, and so on. He contends that without taking into account transaction costs it is impossible to understand properly the working of the economic system and have a sound basis for establishing economic policy.

The construct of equity can also be defined as 'fair dealing', where all parties involved receive benefits proportional to their investments (Homans, 1961). It is important to note that fair rates of exchange between costs and benefits are sufficient, but equality is not necessary for fair dealing. Research studies on organisational collective bargaining suggests that fair dealing as a standard for assessing collaborative relationships can be influenced by the personalities and individual differences of transacting parties, particularly in ambiguous situations, as in the early stages of collaborative relationships between relative strangers (Monson et.al., 1982; Neale and Northcraft, 1991). In this vein, collaborative relationships are motivated to seek both equity and efficiency outcomes because of a desire to preserve a reputation for fair dealing that will enable involving parties to continue to exchange transaction-specific investments in the given market and organisation contexts (Helper and Levine, 1992).

Organisations of all sectors increasingly enter inter-organisational collaborations with the recognition that the ability to access the knowledge and expertise held by other, external parties are often required to operate effectively in today's business climate (Nohria and Eccles, 1998; Hiscock and Pearson, 1999; Mankin and Cohen, 2003). The perception of using collaborative inter-organisational relationships as an important resource and leverage for new business creation is not new (Kanter, 1989; Teece et.al., 1997; Van de Ven et.al., 1999). Jarillo (1988) considers this as an "essential characteristic of entrepreneurs to end up using more resources than they can control, for they are motivated primarily by the pursuit of opportunity, rather than feeling constrained by using the resources they control" (p.39). According to this reasoning, Marshall (2004) posits that a capable firm with the capacity to explore and exploit new business opportunities with complementary partners, referred to as 'alliance proactiveness', may be rewarded with increased competitiveness.

According to its business plan, the HCA was created with the aim to:

1. Identify, develop and secure additional opportunities in the UK and overseas markets; and
2. Add value to members' own marketing efforts and gain greater marketing effectiveness internationally.

In this context, all the participating companies acknowledged (when HCA was initially established) that it was as important to measure progress in financial terms as it was to evaluate the intrinsic values created in this collaboration. The

HCA was formed to add value to members' own marketing efforts and gain greater marketing effectiveness in the international marketplace. Members who benefited most would be those extracted values by active participation in the marketing activities organised through central efforts.

The Alliance was founded to provide an avenue for members to learn and internalise new skills, in particular those which are tacit, collective and embedded (something hard to obtain and internalise by other means). Learning acquired within the Alliance might remedy skill deficits, improve the competitive standing of members and develop new competencies for the future.

Corporate governance

The significance of corporate governance for joint-equity collaborations is indicated by the fact that their relatively high failure rate is usually ascribed to a breakdown in relations between their owning partners (Singh and Mitchell, 1996). The governance of an inter-organisational collaboration formed between multiple partners is likely to be even more precarious due to cultural differences and to potential dissonance between the partners' expectations. The corporate governance of an inter-organisational collaboration can thus be defined as the process of control over and within the firm that aims to reduce risks to its owners and to ensure that its activities bring a stream of acceptable returns to those owners in the long term (Monks and Minow, 2001). This is the definition which is adopted in the context of this study.

Partners to an inter-organisational collaboration are, essentially, investors in it. As investors, they would accept certain risks in the expectation of securing favourable returns. Because of this, they are naturally concerned with how best to govern their alliance in a way that minimises the risk and maximises the likelihood of a good return.

Following Child et.al. (2005), there are two main sources of risk facing collaborative partners. The first is the local institutional and economic contexts in which the collaboration is located. The risks arising from this context is called contextual risks. The formal corporate governance options are essentially defined by local regulations, norms of custom and practice as well as the availability of market opportunities. These institutional features, as North (1990) suggests, are likely to be 'cultural' in the sense of being historically embedded, and thus to display a high degree of path dependence. National institutions are expected to moderate both the possibilities of choice among corporate governance structures for firms located there, and the corporate governance preferences of local owners and other local stakeholders. The possible choices of governance in inter-organisational collaborations are shaped by institutional factors through the mediation of national regulations and formats for corporate governance (Child et. al., 2005). The availability of market opportunities can impact on the level of risk in the economic context in which the collaborations are located. Markets that present a combination of high growth and favourable competitive structures present excellent business opportunities, which in turn reduce the contextual risks of investment.

The second source of risk facing collaborative partners is derived from the special condition of multiple agency that characterises joint-equity collaborations, in which the partners also act as an agent for one another. The risks that arise from this source are referred as agency risks. Agency theory is concerned with the ability of equity owners to ensure that their 'agents' are fulfilling their objectives. Within the Anglo-Saxon tradition of corporate governance, their vulnerability (hence the associated 'risks') stems from their position as residual claimants in the sense their returns depend upon all other contractual claims that have to be satisfied first (Shleifer and Vishny, 1997).

Multiple agency refers to a situation in which there is more than one party in agency relationships, either as principals, agents or both (Child et.al., 2005). The formation of equity joint-ventures in this study is an instance of multiple agency. The collaboration of the ten companies in the HCA involved a pooling of ownership assets and a degree of joint management between the partner firms. The agency role played by owner-managers of these ten companies, as well as the owner-manager of HCA, is often complicated by the presence of multiple, other partners, when each places its own expectation upon the venture. A range of possible moral, legal and managerial failures in a collaborative relationship can give rise to non-delivery, even default, on agreements or expectations. Opportunistic behaviour by another partner such as attempts to expropriate key resources from other partners, as Doz and Hamel (1998) point out, is always a danger in any collaborative relationships. This may be compounded if the venture is managed by a mix of personnel who are supplied or appointed by the different partners who do not share the same tradition of management practice.

The above proposition suggests that the preference for the structure of governance in firm's collaborations is likely to arise from the partners' perceptions of different levels of contextual and agency risk. With reference to the interaction between the contextual and agency risks in firm's collaborations, Child et.al. (2005; see also Child and Yan, 1999; Child and Tse, 2001) have located a typology of four broad categories of governance preference (see table below).

Following this typology, firms that have a preference for a concentrated form of governance perceive a high risk in the institutional and economic contexts and that there is a high level of perceived agency risk from their partners. As a result, firms would favour a concentrated personal control based on a majority equity position and/or accompanied by a strong presence of its own appointed staff within the collaboration. This would mean that the partner tend to exert its control both on strategic and operational decisions.

Table: A typology of collaborative partner governance preferences associated with level and source of risk

| | | Contextual Risks | |
|---------------------|------|----------------------------------|-------------------------------------|
| | | High | Low |
| Agency Risks | High | Concentrated personal Governance | Concentrated specialised governance |
| | Low | Delegated managerial governance | Delegated financial governance |

Source: Child et.al. (2005, p.263)

Firms that have a preference for a concentrated specialised form of governance perceive a low risk in the institutional and economic contexts but a high level of agency risk through lack of capability and suspected opportunism in their partners. There is a lack of trust in their partners' ability to manage certain activities and/or integrity to behave in a trustworthy manner. In this case, these firms are likely to favour close control over what it considers to be key collaborative activities from the point of view of its interests, allowing discretion to their partners in other areas. This 'specialised' control is intended to maintain the firm's ability to prevent technology leakage, maintain quality standards and protect the integrity of its reputation.

Preference for a delegated managerial form of governance is likely when there is relatively high contextual risk, but where the collaborative partners' strategic intentions are complementary and the quality of relations between them is good. The high level of contextual risk means that these firms may prefer to limit their investment in the collaboration hence their share of equity and influence on decisions. However, because of their confidence in the partners' competence and trustworthiness, these firms may leave the management of many activities to its partners, including those that concern dealing with contextual risks.

Firms that prefer delegated financial governance tend to focus on the monitoring of financial returns from its investment in the collaboration. It is likely to be adopted if the perceived contextual and agency risks are low. The institutional environment may present low risk because of effective regulations; the economy

offer favourable market opportunities; and the quality and trustworthiness of partners may not pose significant agency problems. This mode of governance may also be favoured if the collaboration is not highly integrated to its core activities or strategically very significant, when market opportunities are perceived to be limited, or when these firms are engaging in the collaboration as a financial or speculative investment only. These firms may not necessarily have a long-term interest in the venture, which can be reflected in its unfocused and sporadic involvement in the strategic and operational decision-making.

The typology suggests that different modes of governance can suit different types of collaboration, subject to prevailing (internal and external) environmental conditions. The prime distinction between the concentrated and delegated forms of governance preference lies in the degree of control that the firms seek to maintain. If the contextual risk is greater than the internal agency risk, these firms are expected to prefer forms of control that are focused on strategic issues and resources. It may not consider significant personal control through the direct involvement of their managers to be necessary. If, however, the contextual risks are less than the internal risks, preference will be for monitoring activities closely and personally, even extending control to routine operations. If perceived risk is high both externally and internally, a concentration of authority will be preferred, involving extensive forms of strategic and operational control, and high level of personal intervention.

I have adopted this typology to provide a framework of analysis to present the participating firms in this study (see table below), based on their owner-

managers' respective preference for the structure of governance underpinned by the perceptions of contextual and agency risks. The presentation of the ten participating firms in the HCA include a description of the firm, nature of business, experience in international marketing activities and its owner-manager's perception of his/her firm's involvement in the HCA and how this inter-organisational collaboration was to be managed.

Table: HCA's partner governance preferences associated with level and source of risk

| | | Contextual Risks | |
|--------------|------|--------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| | | High | Low |
| Agency Risks | High | <p>Concentrated personal Governance</p> <p>Bolton Surgical McKenna Orthopaedic Innovation</p> | <p>Concentrated specialised governance</p> <p>Brandon Medical Sensorcare Systems</p> |
| | Low | <p>Delegated managerial governance</p> <p>Braun & Co Customflex HTS</p> | <p>Delegated financial governance</p> <p>Dawson Medical Sidhil Care</p> |

Source: Based on Child et.al. (2005, p.263)

Participating firms in the HCA

Firms with a Preference for Concentrated Personal Governance

Bolton Surgical Ltd., Sheffield

Bolton Surgical is a long-established surgical instrument manufacturer which manufactures theatre quality surgical instruments. It headquarters in the city of Sheffield and operates in three separate factory units, and the firm specialises in

the manufacture of generic surgical instruments. It also describes itself as a specialist repairer of surgical instruments which essentially represents 45% of its annual turnover. It manufactures and supplies over 6000 products and it is highly dedicated to providing supreme theatre quality and service. The Managing Director, Peter Bolton, maintains that all his products “conform to BS EN ISO 9000 standards and are CE marked. We have also been awarded the Sheffield Coat of Arms on our full range. Our traditional skills are integrated with modern technology ensuring Bolton Surgical to remain an innovative market leader” (Interview, 8th June 1998). All its administration and sales staff are described as highly trained in IT, which enable the firm to continuously monitor and achieve high level of customer satisfaction. This also means that the firm can provide its customers with a much better response time and shorter lead time of 2-4 weeks (compared to the industrial average of 4-8 weeks).

Bolton has developed a very effective niche market strategy by focusing on specialist instrument repairing services which are not of great interest to the large manufacturers. Competitive advantage in the UK market is developed by building a highly effective customer service operations servicing targeted hospitals and health centres. In each hospital or health centre, the firm builds up close relationships with a number of theatre nurses and personnel in the procurement departments. It keeps in regular contact with these customers sometimes talking to them on a daily basis. It places great emphasis on establishing effective monitoring procedures to measure their performance in customer service, as well as their financial performance by customer, order etc. to ensure that at all times they have full control in their operations. Such a

strategy means that the firm has been able to build a marketing strategy which operates on good margins and achieves a steady rate of growth at relatively low risk whilst enabling the company to sustain an element of control in the marketplace.

Despite the success of its niche market strategy in the UK, Bolton Surgical has been comparably ineffective in internationalising its business activities into overseas markets. The management of the firm claims that it is exporting to Singapore, Egypt, Australia, South Africa and Kuwait. However, the export orders from these countries are mostly one-offs or in small (hence unprofitable) quantities. Larger orders are mainly sold through piggy-bagging with other firms at very low prices. Despite heavy investments in overseas exhibitions, market visits and training of agents or representatives, the returns in its export efforts are extremely low.

There are three problems that contribute to the company's slow international growth. First, there is a lack of dedicated personnel in the planning of international activities, both strategically and operationally. Apart from the Managing Director, the employees often see these activities as an 'add-on' to their core business in the UK. The management is unable to offer the required leadership, vision and incentives to its employees to put more solid efforts into internationalising its business. Instead, the lack of international growth is often perceived to be due to its small size in comparison to its competitors. Second, Bolton is unable to 'export' its specialist repairing services to its customers abroad. Without the support of these services, the firm is unable to offer any

competitive advantage over other, often cheaper, competitive rivals such as those which operate from India. Third, the range of products is primarily 'generic' i.e. not specific or special, making it difficult for the firm to offer its potential overseas customers any added value. There is a lack of resources, expertise and culture within the firm to innovate to develop higher value-added products.

There was a clear perception that HCA would perform an income-generating function, which was to be centrally resourced and staffed to "act on behalf of members, carrying out active marketing programmes and sourcing possible funding. It will provide full-time coordination and marketing to maximise expose and appeal to buyers" (op.cit.). In generating higher awareness of HCA, more international sale interests/enquiries would be channelled through to the firm. By 'outsourcing' the international marketing function to the HCA, Bolton could then be able to dedicate more time on manufacturing and sourcing better products while increasing its level of international involvement.

McKenna Precision Castings, Sheffield

McKenna Precision Castings was founded in 1983 to manufacture precision components (by the Lost Wax process) for medical, aerospace, land-based gas turbine and other high integrity applications. As the Managing Director, Don McKenna recalled, "the first orders came from various commercial industries including transportation, oil and mining, food and drink, communication, armaments, electrical/electronics and furniture. The production of prosthetic castings did not begin until a year later due to substantial entry barriers in terms of technology and credibility" (interview, 22nd June 1998). Approximately 40%

of the firm's annual turnover come from manufacturing castings for 14 commercial industries, while 60% of which come from orthopaedic-related castings. Almost all (except one) customers of orthopaedic-related castings are orthopaedic finishing houses which usually seek supplies of castings and then carry out the finishing process before distributing to the end-users. DCL is not selling directly to the National Health Service in the UK.

The firm produces its own generic range of medical CoCr prostheses. This means that customer requirements for specific, market proven designs can often be met from McKenna's own inventory. Its castings are "available either sterile packed, 'fully finished' or in the 'as cast' conditions. Our company is focused on customer care through the training of management and staff in the principles and ethos of total quality management. We have set ourselves apart from our competition by offering short lead times and a fast flexible service" (op.cit.). All products are fully approved to ISO9002 for the production of aerospace, batch traceable and commercial, castings and the machining and polishing of medical prostheses. The CE certification to EN46001 and ISO9001 accreditation is believed to enhance its comprehensive quality approvals.

The firm's received its first export order only five years after it was established in 1983. The first export order was actually acquired while the managing director was on holiday in Spain. He was informed of a company which specialised in finishing prosthetic castings before his departure and then took time to visit the company during his stay in Spain. An order was received very soon after that.

The market entry into Spain has helped the firm to realise its product potential in the Western European markets. As sales orders from Spain increased over time, confidence to export was gradually built up. This eventually encouraged the firm to engage market research for other nearby European markets. In 1991, France became the second country which the firm was exporting to. By 2002, the firm had established further market presence in Holland, Columbia, Turkey, Italy and Germany.

The main priority of the firm is to generate more export sales from existing and new overseas customers. It plans to target other unexplored countries in Europe as well as further afield. The management of the firm exhibits a high level of education and awareness of the market potential in international markets. It believes that further expansion into international markets would create a larger orthopaedic implant market which can provide higher profitability for the firm. This is coupled with the fear of losing competitiveness in the domestic market to overseas competitors that has benefited from the economies of scale gained by a high level of international marketing activities. The firm strongly believes that “the only way to meet overseas competition effectively is to establish presence in the competitors’ home markets and ‘beat them’ in their own game” (op.cit.).

It is this determination to achieve substantial organisational growth that motivates McKenna to form collaborations with other firms to accelerate its process of internationalisation. The management of McKenna envisioned HCA to be a non-profit-making collaboration which would be managed by a team of independent directors. Member firms would allocate appropriate financial

resources to enable HCA to provide value-added marketing services to its members. The firm expected HCA to facilitate extensive market research, provide market knowledge and organise market visits. In particular, HCA would be resourced with adequate staff, time and electronic databases to enable international tenders to be tracked, matched, translated and organised for joint-bidding. The firm believed that making joint-efforts in international tenders would increase the chances in attaining them because “we would be able to offer them higher volume, better quality and wider product range. We were often overlooked as we cannot offer them what they want on our own” (op.cit.). McKenna also anticipated HCA to play an important role in facilitating networking between members as well as other (external) relevant parties especially government agencies or representatives.

Orthopaedic Innovation, Sheffield

Orthopaedic Innovation was founded in 1992 when the current Managing Director identified a niche in the veterinary orthopaedic market. The first orders of the company came only from practising veterinary surgeons and distributors of veterinary products in the UK. The company quickly learnt that their products were very similar to those being used in the human body and the profit potential for these products. While an insignificant volume of veterinary orthopaedic supplies is still being produced, manufacturing orthopaedic implants specifically for the human market has become the largest single business area for the company. The firm manufactures a broad range of stainless steel and titanium orthopaedic implants and related surgical instruments. It also manufactures and supplies instruments for more specialised orthopaedic surgeries such as fracture

management systems, internal and external fixation for the correction of congenital deformities, and custom-made maxillofacial implants for facial reconstruction.

The management of the firm is very proud of its Sheffield origin. As the Managing Director, David Reed, explained, “the production of our products is carried out at our Sheffield headquarters in the UK. All the items we produce conform to ISO9000 international standards and are subject to our rigorous quality procedures for in-house production and attention to individual customers’ needs allow us to achieve high product quality, and therefore deliver customer satisfaction” (interview, 8th March 1998). It sees itself as a “dynamic, modern and innovative British manufacturer producing orthopaedic implants and instruments for the healthcare sector and acting as a subcontract manufacturer to the orthopaedic industry. The range of orthopaedic items we can offer include osteosynthesis products, reconstructive and fixation devices, a range of orthopaedic instruments. We pride ourselves in our flexibility to adapt to individual customer’s needs, competitive pricing and consistency in product quality. We are increasingly internationalising our business activities into countries around the world, and regularly fulfil export orders from Taiwan, South Korea, Thailand, Philippines, Indonesia, Singapore, Egypt and South Africa. Export sales make up 60 per cent of our annual turnover” (op. cit.).

Unfavourable domestic marketing conditions in the UK are a major motivating factor to accelerate the firm’s internationalisation into overseas markets by collaborating with other firms in the HCA. The orthopaedic sector is

characterised by substantial entry barriers in terms of capital costs and brand image. End-users such as hospitals are often unwilling to exchange a brand of orthopaedic systems for another due to high switching costs involved. Hospitals are therefore more interested in seeking supplies from well-known and well-established (large) manufacturers, with a proven record of good product quality, extensive training programmes and consistent after-sales services.

The excessive red tape is perceived to be a very distressing factor during the early stage of internationalisation. Developing a trusting relationship with overseas customers and business negotiations are found to be extremely time-consuming. For instance, it took a period of five months to finalise details of the first order before the ordered goods were dispatched to the customer. The absence of cultural knowledge and foreign language skills are also perceived to be impediments to the firm's internationalisation.

The firm perceives that the collaboration formed within the HCA would be an important mechanism to further expand its international activities into more foreign markets. The management confessed that the growth in international sales for the firm had saturated in recent years due to its inability to find new customers and competent agents/distributors in other countries. There was also a constant struggle in sustaining a healthy cash flow due to late payment or bad debts, and slow growth in sales in the UK. There was consequently a lack of financial and adequate human resources to improve the marketing and brand image of the firm and provide more attractive compensation to incentivise agents and distributors both in the UK and international markets. The combination of

these problems was perceived as the reason why the firm was unable to invest in new machinery, find new markets and develop innovative products.

The management of Orthopaedic Innovation was not certain how HCA would deliver value to the firm's existing marketing objectives. It was nevertheless determined to see HCA present a perception or image of an organised and established consortium capable of competing with other (larger) firms. In particular, it envisaged that HCA would be appropriately resourced to provide a centralised, highly professional sales and marketing function. For this firm, HCA was also perceived as an opportunity to improve the presentation of products especially in highlighting the innovative features, as well as improving its competitiveness by widening its range to include complementary products and services.

Firms with a Preference for Concentrated Specialised Governance

Brandon Medical Co. Ltd., Leeds

The history of Brandon Medical Co. Ltd. can be dated back to 1943 when it was established to design and manufacture medical equipment. In recent years, the firm has focused on manufacturing and supplying a range of medical lighting products and it claims to be the only British manufacturer of operating theatre lamps.

Brandon sees itself as a highly innovative manufacturing firm with a range of products of its own design. These include operating theatre lamps, minor surgical and examination lamps, surgeon's control panels and emergency power systems.

Its products are used by a variety of healthcare establishments such as hospital, hospices and clinics in Britain and other countries. Its range of operating lamps is recognised as having high performance whilst emphasising excellent value for money.

Compared to other member firms, the management of Brandon has a comparably higher level of customer orientation. It does not perceive itself as manufacturer or producer of medical equipment. Instead, Brandon, as its Managing Director, Graeme Hall, explained that it “doesn’t just make lamps. We have a full range of products to provide the ‘complete’ package of theatre equipment. We also make products to customer specification, carry out installation work in hospital and offer servicing on all types of operating lamps” (interview, 13th April 1998). It prides itself for its commitment to the highest international standards including the ISO9001 quality standard for design, manufacture and installation. All products are CE marked to certify compliance with EU standards.

The firm also exhibits a high level of commitment to future development of product innovations. It invests heavily into the research of new technology and innovative applications to continuously create better designed products. This commitment has led to many prestigious awards for its products from the Department of Health, the Department of Health and Industry, and the European Union.

Brandon describes itself as effective in exploiting the global niche market. Apart from its unique products, it is able to exploit the overall positive international

perception of UK's healthcare and medical products. Over 60% of Brandon products are exported to many parts of the world including the EU, Middle East, Africa, South East Asia, China, Indian Sub-Continent, Australasia, Eastern Europe, South and Central America. The firm believes its success in export markets can be attributed to a number of aspects. First, the firm is highly dedicated to exporting and this stretched throughout the firm. This commitment was translated in various ways including the importance it places on developing close customer relations, both with distributors abroad, and individual customers from overseas. For instance, it is not uncommon for the firm to exchange emails and faxes on a daily basis.

The firm's success can also be attributed to its level of understanding of its customers and their preferences. Every end-user, who could be a physician or theatre nurse in a variety of healthcare institutions, could have a very different preference in their patterns of usage. The theatre lights which the firm manufactures are normally supplied with minimum technical modifications. However, the operating control panels would be completely bespoke to the end-user's preferences to facilitate individual clinical needs and usage levels. This means that operational manuals, product labels, packaging, training programmes and after-sale support would normally need to be customised to reflect individual customer's order, native language and technical requirements.

Being proactive to change and adapt to evolving trends are perceived by the management of Brandon to be the important elements of its business's survival. The firm has a developed ability to enable "strategy changes constantly to fit

market needs and react to competitors' moves" (op.cit.). Some problems, as the firm suggests, are nevertheless difficult to overcome. For example, macroeconomic conditions such as the appreciating value of the British currency can hinder export orders as UK products become more expensive for foreign buyers. Internally, the small size of Brandon means that it is unable to pump in more resources into the research, design and manufacturing of new products.

The firm perceived its membership in HCA as a long-term strategy to adapt to the emerging international markets and a potential new source of growth. HCA would provide it with opportunities for networking and benchmarking with those firms in the same size within the same industry. This offered an effective platform to exchange information with other member firms, in particular, HTS and Sensorcare, which manufactured complementary products, and access contacts or partners in the foreign markets. In addition, HCA was also perceived as an important resource to strengthen the firm's marketing communications and brand image. For instance, the Managing Director was keen to create internet hyperlinks with other member firms' websites so that "we could present a unified image of a large, highly professional corporation" (op.cit.). He insisted that there must be a minimum standard for all members in terms of customer care and services to maintain a good Alliance image. He believed that, if successfully managed, HCA could attract new, more profitable customers for all member firms in the long term.

SensorCare Systems Ltd., York

SensorCare Systems Ltd. was established in 1996. It describes itself as a market leader in the manufacture of spontaneous call monitoring systems designed to provide an automatic communication link between the patient and their carers by detecting impending mobilisation from a bed or chair.

Research undertaken by the firm identifies a communication aid for those who cannot use conventional support equipment. According to the firm's Managing Director, Madeline Hall-Jackson, "communication deficit or the inability to request assistance is a key factor of non-clinical risk management within the healthcare process. High dependency patients in hospitals, institutional care and in the home are often not able to utilise existing call equipment. The building layout, with the emphasis on private facilities, can result in areas of poor patient visibility, particularly at night. The outcome of communication can therefore be critical to someone who is already vulnerable – for instance, falls, agitation, disturbed sleep, wandering and poor continence management are common. Falls are a major cause of death in the elderly" (15th May 1998). The SensorCare spontaneous call monitors is developed to provide an automatic communication link between the patient and their carers by detecting impending mobilisation from a bed or chair. As the patient moves to leave, the monitor "relays the information remotely to the nurse or carer. This gives valuable pre-awareness that help may be required and allows the appropriate actions to be taken. Anticipation of possible need for assistance when linked to mobility has proved to be a valuable support tool" (source: company's product literature).

Sensorcare was confident that it has developed a very effective niche marketing strategy by focusing on providing a highly sophisticated and specialised area of medical care. A number of sales orders in the UK and overseas come from professional referrals from the firm's existing customers. The firm received its first export orders from Singapore, Denmark and South Africa mainly as a result of professional recommendations which stimulated interest in its products. In the words of the firm's managing director, these orders were "not necessarily strategic targeting". She believes that "countries with an ageing population were seen as the primary target markets as more elderly would demand high quality medical care that could provide personal mobility and value for money" (interview, 15th May 1998). Further, the increasingly litigation-driven culture in these countries is prompting hospices, hospitals and rehabilitation centres to proactively improve elderly care and minimise preventable accidents.

The importance of the unique product advantage enjoyed by Sensorcare is central to its success. It intends to develop a competitive advantage internationally by offering innovative and clinically proven solutions to a targeted area of care management and building a highly effective customer service operation. The firm believes that it can achieve greater growth by further exploiting its internal strengths and capabilities. Specifically, it would utilise the combined experiences and knowledge of its directors/managers in the health and social care sectors, and its perceived superior technology and manufacturing facilities.

The firm also believes that substantial growth can be achieved by offering a superior level of customer understanding and care. This is translated into a

deeply held belief that, through the constant development of the core product range and maintaining a meaningful dialogue with customers, the firm can offer its customers the best quality product in the market. The management feels strongly that the high level of customer involvement it seeks cannot exist without the provision of a superior customer care. It sees personal contact as paramount to their success and, as such, it endeavours to make it as simple as possible for customers to communicate with them. Despite proactive efforts on regular attendance at exhibitions and routinised visits to customers, the firm believes that it is “simply not doing enough because we are just overwhelmed by our workload and spreading ourselves too thinly on the ground...we need more people and resources if we were to achieve more” (op.cit.).

Sencorcare strongly believed that HCA would play a key role in shaping, delivering and adding values to its marketing objectives. At the strategic level, HCA represented “the creation of strength of product variety and the weight of a critical mass, and collectively, and it would fulfil our promotional objectives via shared resources” (op.cit.). At the operational level, HCA would add values to each member firm by:

- jointly financing promotional objectives and initiatives which are not viable if carried out independently;
- sourcing grants and external supports;
- networking internally and externally;
- buying in professional marketing services e.g. publicity; and

- fronting product validation, safety standards and by forming relationship with universities in new product development and joint manufacturing.

Sensorcare envisaged that HCA would be managed by a “hands-on active leader with a clear strategy”. This would be an individual “who is very focused and marketing based, incorporates the broad skills of a limited company”. Within the group, there should be “a long term commitment to the gains of individual members” (op.cit.). There must be a willingness to input time and resources to operationalise inter-company cooperation in marketing.

Firms with a Preference for Delegated Managerial Governance

Braun & Company Ltd., Barton on Humber

Braun & Company Ltd. describes itself as a 150 year-old manufacturer of medical equipment. The company manufactures and supplies a range of over 300 medical equipment which include anaesthetic machines, ventilators, oxygen therapy, pneumatic tourniquets, orthopaedic equipment and suction equipment. The firm manufactures its standard range of Medical and Veterinary equipment as well as products custom-made to customer specification from samples or drawings at its UK site. It has a registered quality control system in accordance with ISO9002/EN46002 and CE mark, which enable it to legally market its products in all EU countries.

Braun is proud of its innovative culture. As the Managing Director, Barry Shepherd recalled, “in 1963, Braun co-designed the Self-Compensating

Tourniquet, a major advance in blood regulatory apparatus. This differs from the old fashioned instrument previously used in that if the patient moves and a leak occurs, the machine will compensate for the leak automatically introducing air to keep the cuff inflated at the required constant set pressure” (interview, 23rd June 1998). The firm is supported by a team of experienced staff in its technical and engineering services unit. Full maintenance and spare are routinely inventoried for all its equipment which enable the firm’s in-house engineers to provide its customers with specialist maintenance and repair services. The firm also offers full training for those customers who wish to maintain and repair their own equipment, which is often preferable for customers in other countries.

A great proportion of Braun’s revenue is derived from international sales. It has established a strong presence in a number of African countries including Eritrea, Nigeria, Zimbabwe, South Africa, Ghana, Malawi and Egypt; and regularly tenders for and completes turnkey projects in these countries. One of Braun’s main ingredients for success is its ability to exploit a distinctive product advantage in its export markets. The firm produces highly specialist systems that indigenous competitive do not as yet, have the capability to compete against. Secondly, the firm is committed to research in developing new customers in existing markets in an innovative manner. Essentially operating in a global niche market, the firm overcomes a lack of specific market information by researching into “countries that receives significant amount of EU and World Development Bank loans or funds. This identifies business opportunities in these countries. Knowing that these projects are funded by the EU or World Development Bank, it is certain that payment is secured” (op.cit.).

In addition, the firm is committed to supplying product information in the language of the export recipients. It is also essential to label the equipment and provide operational manuals in the language of its foreign buyers. It has made attempts to employ foreign language assistants as major export markets emerge, believing quite strongly that success in international markets would be dependent upon its ability to fulfil these language requirements. The firm's high level of commitment to developing export markets is displayed at the senior management level. The Managing Director, for instance, understands that a throughout hands-on approach to secure contracts from customers in the international markets, as "we have been down the road of appointing anybody who calls themselves a distributors in the country, only to find that at the end of the day you have got to be there to push your products to these hospitals and show them how your products work. No one could do that better than you!" (op.cit.).

Despite its long history of trading, Braun remains a small firm with a modest annual turnover of £0.5m and a small team of 17 full-time staff. The management confesses that its firm is a 'market follower' (rather than a 'market leader') in its field. It relied upon a strategy of offering a portfolio of generic products which could cover any combination of equipment to accommodate customer's specification. Since its invention of the Self-Compensating Tourniquet system, the firm has little to show in terms of research and development that can create genuine innovations. All employees are completely pre-occupied with the day-to-day operations (especially administrating telesales

and fulfilling tenders) so it can 'keep things ticking over', which has prevented the firm from any long term planning.

It is the intention of Braun to overcome its short-termism in strategic planning through its membership in HCA. First and foremost, it expected HCA to help raise its international corporate image and profile through joint-efforts in strategic marketing and brand building programmes. For instance, the creation of a truly professional presence on the world wide web to enhance marketing communications with potential customers. Braun envisaged that HCA would be a centrally coordinated and well-resourced entity with the support of an Executive Committee. In the longer term, internal networking and enlargement of membership to other firms were seen as essential in order to enable access to a broader range of products and services complementary to the firm's own products.

Customflex, Rotherham

Customflex was founded in 1990 in response to a need in the market for a company which could produce high quality and cost effective custom-made specialist orthopaedic surgical products. Its product range includes hips, knee replacements, ankle, elbows and maxillofacial implants. The Managing Director, David Paterson, considered that "the global orthopaedic market is one which demands the highest standards of quality in conjunction with proven clinical results. It is also essential that the development of new technology produces products which are of genuine benefits to patients and are affordable" (interview, 21st June 1998).

Customflex's initial success is due to its primary philosophy in the production of top quality orthopaedic implants at prices which recognise the cost constraints that exist in today's healthcare markets. Through this approach, the firm is able to "satisfy the needs of patients, surgeons and business managers. This has been achieved without compromising our quality, our level of service or the clinical efficacy of our products, and only through the quality of our people, and total commitment to our customers, can we retain at the forefront of orthopaedics" (op.cit.). The firm claims that it is able to set itself apart from its competitors by "providing a level of service which has previously not existed, and through developing relationships with orthopaedic surgeons, Customflex is able to widen its interests by moving into other areas such as primary implants and maxillofacial technology" (op.cit.).

Customerflex has shown itself to be an effective learner, diversifying the nature of the business to match the needs of specific international markets and meeting exacting needs of demanding overseas customers. The firm's marketing strategy is based on three principal components. First, a clearly defined vision of the market which is based on a high level of customer orientation. Instead of restricting itself to the 'orthopaedic' market, it sees itself as operating in the 'bio-engineering' business. Second, a decision to develop the export market very soon after the firm is established. Within a short period of three years, the firm has built up a number of key markets, exporting to the USA, Finland, Denmark, Cyprus, Greece and the Netherlands. Third, it makes an explicit commitment to a quality policy throughout the firm. Its quality processes are perceived as very

important to the firm, “it is important to show our international customers we have professional procedures in place. It is no good us acting like a double glazing salesman, the surgeons who use our products don’t want that” (op.cit.). Following this strategy has enabled the firm to not only secure a solid home market in the UK but developed a healthy and diverse customer base in half a dozen countries which give a strong foundation for future growth.

The management of Customflex demonstrates a great deal of tenacity and resilience in driving the firm forward internationally and put enormous energy into ensuring its success. This has often meant fighting internal as well as external battles. Internally, the firm, as a small organisation which employs only 14 full-time staff, is confronted with a shortage of people experienced in international expansion. Financial constraints mean that little can be spent on expanding its workforce, investing in new manufacturing facilities and developing new products. Externally, there is increasing downward pressure on price for its (primarily generic) products, resulting in a continuous squeeze on its operating margins.

In this context, HCA was considered as a resource which could offer partial solutions to Customflex’s problems. As an organisation with multiple member firms within the same sector, it was conceived that HCA could enable the firm to access those with complementary products and “provide the collective strength by having a diverse product range” (op.cit.). When an opportunity arose, Customflex could seek to collaborate with appropriate members in research and development to accelerate the process of “designing and producing prototypes

with shared resources” (op.cit.). Externally, HCA could play an important role as an effective mechanism for information exchange, gathering market intelligence and acquiring tenders through joint efforts.

Hospital and Technical Services Ltd. (HTS), Chesterfield

Hospital and Technical Services Ltd. describes itself as a service provider of anaesthesia services equipment specialising in piped medical gas systems for hospitals within the UK and overseas markets. The firm markets a product range of equipment both specific to medical gases and patient care facilities which include patient bed-head, theatre pendants and anaesthesia systems. Its product range is categorised into three areas: (a) Fixed Services – which include medical gas supply control panels, medical compressed air plant and liquid oxygen vessels; (b) Patient Care Systems – are specialist pendants for theatres and intensive care units, bed-head units and wall rails; and (c) Ancillary Equipment – which include oxygen and suction therapy, and anaesthesia systems.

HTS offers its customers a specialist design service for new developments with all records and drawings produced on its computer design system AutoCAD 14. The systems supplied by HTS can be designed to any specified national healthcare standards or any cost effective system preferred by the customer. As the Managing Director, John Martin, explained, that “in the development of a new project it is very important to involve specialists at an early stage. We are willing to provide this design assistance backed by their specialist knowledge of the latest patient care systems. What is more? We are an ISO registered company

operating to ISO9001 and HTM2002 with accreditation to supply and install specialist Medical Gas Systems worldwide” (interview, 26th June 1998).

The market in which HTS operates is highly specialised and relatively small in any one country. Employing only 5 full-time people, the firm generates £0.5m of sales turnover annually from its operations in the UK, Middle East and North Africa. A small firm with limited resources, it has to ensure it builds a highly focused international strategy which maximises the use of very limited manpower and financial capital.

The first important ingredient to HTS’s success is that strategically it perceives itself as operating in a global niche market which needs an efficient and flexible distribution strategy to meet its needs so the firm can build a competitive advantage on being efficient and responsive to customers’ requirements. This means that when looking at individual country markets, the firm does not carry out in-depth investigations but tries to identify if the conditions in that country meet the criteria which determine the existence of a possible niche market there. For instance, the emergence of multiple building and development works in the Middle Eastern countries is indicative of a rising market demand for hospital and medical equipment.

Once a potential market is identified, HTS would first approach it by appointing qualified agents. In some countries, the firm also has developed joint venture interests. With this established support ‘on the ground’, the firm closely monitors the evolving market developments, as well as the marketing activities of its

appointed agents. HTS believes that the high levels of commitment and control has enabled it to successfully identify and complete a number of large hospital projects in the Middle East, the largest of which being a 400-bed hospital.

Despite its profitability, HTS faces a number of difficulties in increasing the size of its business. The growth rate of its business has been frustratingly slow due to its inability to 'breakout' from its existing operations. The operating margins for its products are exceptionally low ranging from 15%-20%, compared to the industrial average of approximately 30%. One of the main reasons is that there is little room for adding value to its products through differentiation as most customers are "not interested in extra features above the bare necessity due to priority to minimise overall costs. As a result, the market value for what we do is low, which means not much profit base for reinvestment" (op.cit.). Being a micro-business that only employs 5 people, who are all technicians or engineers, there is little expertise within the firm for strategic planning and, more importantly, effective marketing of its products and services.

For HTS, HCA was considered to be, first and foremost, an opportunity or 'vehicle' to access governmental and/or public funds which would be used to finance growth for the firm. For instance, HCA could, on behalf of its member firms, access EU-funded export assistance schemes that would otherwise be inaccessible for individual small firms such as HTS. It was also intended that these 'additional' resources would be used to recruit experienced staff to improve export orders and provide for 'more professional' marketing materials. As a non-profit-making central resource, HCA would provide "positive directions as

clearly laid out for the next 3, 6 and 12 months, and deliver value-for-money marketing objectives” (op.cit.). It would facilitate well-structured exchange of information on international markets and potential sales leads. This could be achieved through organised networking with other firms, both within and outside HCA, that market complementary products or services.

Firms with a Preference for Delegated Financial Governance

Dawson Medical International Ltd., Rotherham

Dawson Medical International Ltd. (DawMed) designs and manufactures an innovative cost-effective range of washer, disinfectors and dryers for surgical instruments. Established for over 30 years, DawMed describes itself as the largest specialist medical and surgical washer disinfectant manufacturer in the UK, and as such a major supplier to the National Health Service (NHS). The firm estimates that it has 30-40% of market share in the UK, and enjoyed a strong presence in a number of export markets including Malaysia, Hong Kong, Saudi Arabia, Belgium, Oman and Bahrain.

DawMed is a small but successful firm which employs a team of 20 full-time staff and enjoys a turnover in excess of £2m. Fundamentally, its success can be attributed to both the firm’s commitment to the continued development of high quality products and, the strong emphasis placed on building long-term relationships with customers. As the Managing Director, John Crispin, explained that “hospitals and healthcare institutions alike are demanding high standards set by both National and European regulatory bodies for the design, manufacture and operation of washer/disinfectant/dryers ensures that safe, effective reproducible

performance provides for the safety of both staff and patients alike. Our policy of continual investment in research and development has enabled us to remain at the forefront of medical washer and disinfecter technology, with machines designed to meet fully the demanding latest European standards and wide range of applications our customers require” (interview, 19th June 1998). The firm prides itself for having a dedicated staff with a wealth of experience and knowledge which ensure cost-effective solutions to each customer’s individual requirements without compromising the quality, safety and performance of our products. From design to installation DawMed has built an enviable reputation through a flexible approach to customer needs.

As an exporter, DawMed sees the building and maintenance of long-term relationships with international distributors as central to the firm’s export strategy. This involves maintaining a strong presence, primarily through international trade fairs and exhibitions. The firm recognises that their relationship with its customers goes beyond financial transactions but involves forming meaningful partnerships with valued customers and distributors. For example, the firm finds that some distributors do not fully understand the technical aspects of the products and cannot effectively sell them to customers. It therefore develops a full training programme for its international distributors and has seen both significant improvement in sales and a further development of customer loyalty as a result.

DawMed understands that it has to develop a quick ability to respond to changes in both customer requirements and international (especially EU) safety

legislation. It reinvests a substantial proportion of its annual turnover into research and development to ensure that the firm can continue to compete effectively in the international markets through innovations. Having a fast in-house design and prototyping facilities mean that its products can be quickly adapted to cater for the diverse needs of individual customers. This rapid diffusion of innovation ensures the company continue to enjoy an international competitive advantage over its competitors.

Despite the encouraging growth in the international healthcare sector, the growth of DawMed has proven to be a lot slower than its management has anticipated in recent years. Like most exporters, the strengthening of the British currency has meant that its products became almost unacceptably more expensive for its overseas customers. Cheaper, albeit poorer quality, products developed by international competitors based in lower-cost countries are flooding the markets. Within the UK, the market has become saturated as most hospitals and healthcare institutions are under increasing pressure to cut costs in their provision of clinical care. Internally, the firm, as a small organisation, faces financial constraints as the on-going business relies upon a high level of inventory of expensive components.

DawMed adopted a primarily 'wait-and-see' approach to its membership with the HCA. This was clearly illustrated by its inability to produce any detailed answers when asked what and how HCA would add value to its business. The firm nevertheless believed that the emerging infrastructure derived from its alliance with HCA might deliver benefits in the long term. In the short term, HCA could

act as an important mechanism for the “exchange of information, and sharing intelligence and distributors” (op.cit.). It could also help organise outward and inward trade missions facilitating the meeting of potential buyers.

Sidhill Care Ltd., Halifax

Sidhill Care Ltd. is by far the largest member firm within the HCA with approximately £7.5m and 75 full-time employees. Founded over a hundred years ago in 1888, Sidhill is a long established company which specialised in the manufacture of tubular steel hospital and home healthcare furniture. The company designs, manufactures and supplies a comprehensive selection of products, ranging from hospital beds and commodes through to practical aids such as trolleys, lifting poles and drip stands.

Sidhill describes itself as “one of Europe’s foremost manufacturers of tubular steel hospital and home healthcare furniture, with an established reputation for performance and quality based on total commitment to the developing requirements of the healthcare markets. All our products are designed to improve comfort and quality of life for patients, and in many cases to ease the workload of the carer. Innovation and quality are vital aspects of the company’s work. We have a sustained focus on research and development that ensures a constant flow of new and improved products, whilst maintaining a watching brief on changes in legislation and nursing techniques helps to keep the product range at the forefront of technology” (company’s product literature).

Quality and performance are perceived as the key aspects of the firm's overall production ethos, with all products designed to offer longevity in use. It runs a modern and efficient manufacturing plant, equipped with the very latest high technology manufacturing and finishing processes, produced to ISO9002 quality standards. It is very proud to be an approved supplier to the National Health Service (NHS) in the UK, and internationally, the firm regularly exports to a small number of countries i.e. Japan, Germany, Ireland, Oman, UAE and Bahrain. More recent export contracts are acquired from the Governments of Malawi and Bardados.

Despite its encouraging business profile, the management of Sidhill feels that the firm is ineffective in managing its business internationalisation. When compared to its foreign rivals, the firm perceives itself as "still a small company compared to other international suppliers...We are very established in the UK being literally the oldest manufacturer in the product area, very experienced and knowledgeable in our products, and responsive to customers' needs...but we are noticeably weaker when it comes to exporting" (interview: Julia France, 30th May 1998). The firm prides itself for its wide product range hence its ability to offer a 'complete solution' and choices to a diverse customer base. However, the firm also sees this as one of the main reasons for its ineffective international marketing strategy because "our products are mostly standard. We have a tough time staying focus on all our products and our sales team tends to put more emphasis on the best-selling lines and on customers who currently give us big orders" (op.cit.), rather than on products and customer segments that could potentially grow in the future. Modernising its 'traditional way of doing things'

is also identified as a priority so that the firm can eventually compete internationally.

Sidhill envisaged HCA to be “a central coordination which serves as a point of contact” for all member firms and potential customers. The firm saw HCA as primarily an additional sales and marketing resources charged to deliver highly value-added international business objectives. As a well-resourced centre for its member firms, HCA’s main function would be the “identification of suitable marketplace and distributors in new markets”. There must be a strong focus within the group on specific target markets, and there would be clear agreements on inter-company exchange of market and sales information. As well as entering new markets, HCA would help Sidhill to create “enhanced brand awareness and improve the perception of its brand of higher value products” (op.cit.) in the international marketplace. It was its firm belief that this would help create a stronger market orientation and move away from its existing product-oriented sales culture.

Structure of governance

Given the diversity of governance preferences of the ten firms in the HCA, reaching a consensus on the structure or mode of governance had been a long and problematic process. The negotiation process had taken approximately 6 months to reach an agreement, in which the partners repeatedly weighed up their contextual and agency risks respectively. In my field notes, I had described my frustration on three separate occasions:

“Progress has been overall good. We have made a good start putting forward a case for working together...but we could have gone further if only everyone would focus on the bigger picture rather than the little things like which shade of blue we should use for our joint catalogue!!”

(20th Jan 1999)

“John C is such a bully! It is all about what he wants...we could have covered all the points if not because of him saying NO to everything...how it does not suit him...blah blah blah” (9th February 1999)

“...the meeting is a bloody waste of time. I spent weeks to organise this meeting! They end up nit-picking on the font of the corporate logo rather than the bigger picture...” (9th February 1999)

The formation of the HCA’s structure of governance appeared to be an outcome characterised by, on the one hand, the expected governance preferences of all the ten owners and, on the other, a need to reduce risks to its owners and to ensure that its activities bring a stream of acceptable returns. The formal structure of governance of the HCA, in terms of partner equity share and appointment of directors, had a direct impact upon the strategic control each member partner actually exercised, in line with the legal rights of corporate ownership. It is important to note that there were other control levers, additional to the equity rights stressed in the Law, which were used by the member partners to enhance the alliance’s operational control. The availability of competent managers who

were trusted by one or more member partners had also facilitated the delegation of operational control. The interplay between these levers has given rise to a range of control solutions at the micro level in the day-do-day operations.

The HCA's structure of governance was made up of: (a) the Board of Directors; and (b) the Executive Group. The Board of Directors consisted of the managing directors or authorised delegates of member firms. The managing director of each member firm was the 'default' representative on the Board. The Board met bimonthly (or more frequently if needed) to discuss and arrive at decisions on ongoing and arising issues put forward by the Executive Group. The roles and responsibilities of the Board placed it firmly at the heart of the Alliance's decision-making process.

The roles of the Board were identified as:

- The decision-making unit of the Alliance, where each Board member could cast one vote for each decision;
- Committed contributors of up-to-date market intelligence;
- Committed participants in implementing alliance's marketing programmes whenever necessary;
- The budgeting of annual operating costs of the Alliance;
- Playing an active role in appointing the Executive Group; and
- Committed contributors to the success of the Alliance in general.

The success of the collaboration depended heavily on the commitment of its Board members especially in its consistent contribution to the decision-making

process and active participation in the approved marketing programmes. Each Board member was expected to show the willingness and dedication to commit time, human resources, financial support and personal enthusiasm in return for added values created within the collaboration.

To ensure the effective working of the Board, Members were obliged to attend all Board meetings and commit time to fulfil their duties as the Board Member of the Alliance. An authorised member of staff could attend Board meetings and vote on behalf of the absent Board Member.

Following the decision of the Board meeting on 21st September 1999, an Executive Group was assembled to act as **The Executor** for the alliance to manage the implementation process of approved marketing programmes. In essence, the Executive Group was to become the driving force for implementing the marketing programmes to ensure that the marketing objectives set out in the annual operating plan were achieved.

The roles of the executive Group were identified as:

- The manager and executor of the annual operating plan;
- The guardian of the Alliance's marketing programmes and other emerging Board-approved marketing activities;
- Initiating proposals for Alliance policies and priorities.

In fulfilling these roles, the Executive Group would constantly seek to keep the needs of all Alliance members firmly in mind and to keep red tape and

bureaucratic regulations to a minimum. The Group was obliged to report its activities and progress to the Board at regular intervals to be confirmed. The Chairman would work closely with the Executive Group to ensure that it acted in the best interests of the Alliance. All non-executive Alliance members were expected to cooperate and contribute to ensure that the Marketing programmes were successfully executed. The Executive Group did not possess the authority to carry out any work which was not approved by the Board. Its proposals, actions and decisions were scrutinised, checked and judged by the Board and its subcommittees.

The developmental process of HCA is discussed in Chapter 5.

Chapter summary

It is the aim of this chapter to present the contexts of this research study and to provide the necessary information for the reader to ‘understand’ the social settings in which the study took place. I present each of the ten firms in this study and briefly explore the events and challenges they faced over the time period they were studied. The intention is to set out the contexts for the further analysis of the data collected in the following chapter of this thesis.

This chapter only offers a partial explanation of the data generated, in that it simply relates to the challenges and events of the firms that took place during the time period of this study. The description of the firms can be seen in similar lines with what Wexler (1992) claims as “offering systematic insights, but not

representative reproducibility” (p.115) into these organisations. It makes no attempt to relate the firms to the themes to be discussed in the following chapter.

From the material presented in this chapter, it is clear that the firms studied underwent changes in the time period of the study and faced challenges in their efforts to compete internationally. In many cases, as experienced by the company directors of these firms, the process of internationalisation was not necessarily an easy process. Often, constrained by their size and the lack of resources, these firms had to make difficult choices to overcome significant barriers. However, despite these problems, it is clear that these firms remained highly committed to compete successfully in the international markets. It was through this shared determination to succeed in the international markets that pulled these firms together to form inter-organisational relationships to order to compete internationally.

In the writing of this chapter, I set out to construct a rich and accurate description of the social setting. To achieve this, different data from a range of sources have been used in order to construct a framework for understanding the contexts. The data and information included in this chapter can be seen as an attempt in social cartography where “the researcher and the reader alike serve as translators within this mode of interpretive inquiry” (Paulston, 1999, p.454). It is my hope that this chapter has managed to supply the reader with some ‘tools’ to construct an initial ‘feeling’ about the firms and to imagine what happened in them.

How Firms Collaborate to Compete Internationally

Chapter Five

Chapter Introduction

This chapter aims to report on this thesis's case study studied longitudinally and establish an understanding of the interactions between ten partnering firms introduced in chapter four collaborating to enhance their competitiveness in the international marketplace. Following the induction tradition, this chapter represents an exploration of the underlying processes within the firms in their efforts to form inter-organisational relationships to compete internationally.

Chapter four of the thesis presented the contexts of this research study and provided information for the reader to understand the social settings in which the study took place. By presenting a description of the specific contexts in which the analysis took place, chapter four contributed to the reader's understanding of the applicability of the findings and conclusions presented in this chapter.

A conceptual framework previously developed by Ring and Van de Ven (1994) has been adopted to serve as a means of structuring and analysing the findings. A series of events that occurred in the course of the relationship have been employed as the unit of analysis in order to trace the interactions between the partners and the impact of these events on the quality of the relationship. This is accomplished by: (a) presenting the empirical data from the formation of inter-organisational relationships that involved ten firms in the context of HCA; (b) analysing and elaborating on the characteristics of the case; and (c) discussing the implications of the findings.

Conceptual framework for analysis

There has been no shortage of research studies into the development of collaborative inter-organisational relationships as an important source of competitive advantage and innovation (Hergert and Morris, 1988; Kanter, 1989; Ring and Van de Ven, 1994, 1998; Hagedoorn, 1995; Doz and Hamel, 1998; Van de Ven et.al. 1999; Contractor and Lorange, 2002). The complexity of today's business environment, new communications technologies and the rapidly globalising markets have made it increasingly difficult for any one company to compete successfully on its own. Inter-organisational collaboration thus becomes a major subject of interest and relevance in the present business world. Despite the managerial and organisational challenges that inter-organisational collaborations undoubtedly present, there is no sign that this is a transient phenomenon. In a survey based on over 700 survey responses from senior executives, Contractor and Lorange (2002), indicated that strategic alliances were expected to account for 16 per cent to 25 per cent of median company value within five years and more than 40 per cent of market value for one-quarter of companies. In today's market economy, forming alliances is regarded as a means to achieving fundamental strategic objectives such as a strong market position, significant knowledge acquisition and major cost reductions. The question of how collaborative partners obligate themselves to form cooperative commitments has thus been of particular interest to researchers as well as practicing managers.

Whilst there appears to be no shortage of research studies into the development of collaborative inter-organisational relationships, most of them tend to focus on whether or not to form a relationship (e.g. Håkansson and Snehota, 1995; Ford

et.al., 1998), or how to develop a relationship (e.g. Dwyer et.al., 1987; Gulati; 1995; Doz and Hamel, 1998; Gomes-Casseres, 1999). Sobrero and Schrader (1998), in a comprehensive review of earlier studies, observe that understanding the evolutionary process of inter-organisational relationships falls far behind the tested insights into whether or not to form a relationship. Relatively little attention is devoted to studying the developmental processes of these relationships.

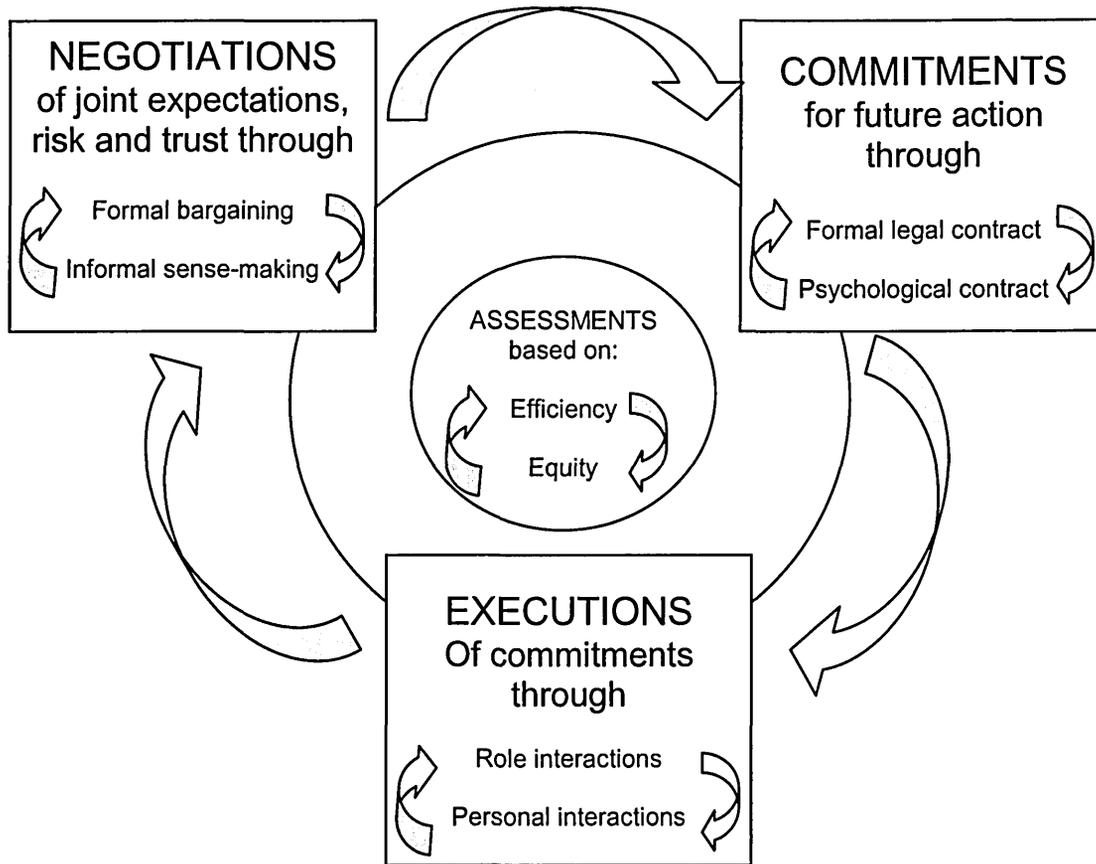
Process, as Ring and Van de Ven (1994) argue, is central to managing inter-organisational relationships. Managers, as agents for their firms, need to understand that managing inter-organisational relationships requires more than securing the right input conditions, level of investment, and types of governance structure. They need to understand that the ways in which they negotiate, execute and modify the terms of a relationship strongly influence the degree to which parties is judged it to be equitable and deficient (Guth et.al., 1982).

The focus of this study is the process of firms engaging in relational acts. Its theoretical framework for analysis is based on Ring and Van de Ven's (1994) conceptual framework for the developmental processes of collaborative inter-organisational relationships. The fundamental premise that underlies this conceptual framework is the emergent pattern – that is, the relationship is cyclical, continually shaped and restructured by actions and interpretations of the parties involved. Another premise concerned the interactions that evolve over time between formal and informal processes as personal relationships and psychological contracts increasingly substitute for formal legal agreements. In

the framework, they view the “developmental and evolution of a cooperative inter-organisational relationship as consisting of a repetitive sequence of negotiation, commitment, and execution stages, each of which is assessed in terms of efficiency and equity...even though the temporal occurrence of these stages may be almost simultaneous in simple transactions, the duration of each stage varies according to the uncertainty of issues involved, the reliance on trust among the parties to a cooperative inter-organisational relationship, and the role of relationships of the parties” (p.96-7). See figure below.

In the negotiation stage, the collaborative partners jointly develop expectations about their motivations, possible investments and expected outcomes through which the participants assess uncertainty associated with the deal and the nature of each other’s role and the others’ trustworthiness. The commitment stage concerns the reaching of an agreement on the obligations and rules for future action in the relationships, where the terms and governance structure are established. These are either codified in formal contracts or informally understood in psychological contracts amongst the parties. Finally, in the execution stage, the commitments and intentions are put into effect as parties draw up action plans and administer whatever is needed to execute the agreement.

Figure: Developmental processes of collaborative inter-organisational relationships



Source: Ring and Van de Ven (1994, p.129)

The emergent process of Healthcare Alliance UK

The case study in this thesis refers to the Healthcare Alliance UK, which was an equity joint-venture of ten small and medium-sized British healthcare manufacturing companies. The narrative began in 1998 when Medilink (Yorkshire and Humber)¹ started to explore the possibilities of setting up what it described as ‘formalised networks or relationships’ to encourage its members to

¹ Medilink is a membership-based professional association which services medical technology companies, hospitals and universities within the Yorkshire & Humber region of the UK. It also provides a gateway for national and international clients interested in developing relationships (commercial, research or clinical) with the region’s medical sector.

develop collaborations in product and marketing innovations. In the light of increasing global competition and rising costs in research and development in medical solutions, Medilink decided to invest resources in the facilitation of exploratory collaborations amongst its members. Even though the prospect seemed promising, there were uncertainties regarding viable business models, operational structures and tangible outcomes. As a result, Medilink decided that it would be more sensible to establish a 'pilot' collaboration to 'test' and 'evaluate' the concept. Thus HCA was born.

Over twenty Medilink's member firms were initially consulted. Despite the fact that all these firms had expressed an interest to be part of this pilot project, only ten eventually made the commitment. These ten firms were later invited to a preliminary meeting to explore new business opportunities, beyond the present scope of their business, which would require an understanding of how this particular collaboration could bring customer benefit by means of improved service, wider product range and innovative user applications. They had to expose themselves to new sets of knowledge in somewhat unknown territory in order to expand their product-market insight and increase competitiveness. This made them consider the prospect of collaborative relationships with other firms in order to gain complementary capabilities and expertise. Even though the proposed collaboration was ambiguous and the parameters of operation somewhat unknown, all parties felt the future prospects for the collaboration to be promising. This mutual enthusiasm shaped the initial motivation for this inter-organisational collaboration.

In the negotiation stage, the participating ten firms developed joint expectation about their motivations, possible investments, and perceived uncertainties of a business deal that they are exploring to undertake jointly. It was a formal bargaining process as they focused on persuading, arguing and haggling over possible terms and procedures of a potential relationship. The firms' motivations, which were underpinned by their perceived desirable outcomes for this collaboration, were quite different. These different motivations became apparent in the early board meetings. For Brandon Medical and Sensorcare Systems, for instance, the collaboration was an opportunity to learn more about untapped market opportunities and emerging technologies for future application development. The collaboration could start from the firms' existing, generic solutions with a view of learning about potential new functionality, which could eventually be developed into future products or services for new product markets. In particular, Brandon Medical and Sensorcare Systems had long-term ambitions in developing intelligent integrated patient management systems for use in hospital and clinical wards. They made the point that the chance of success is based on each party's complementary product and research expertise:

“Our common objective should be to create a platform for joint efforts for something that we could not have achieved on our own, things like tackling a big market or research in which our expertise and experiences can be joined together to make a bigger impact. My customers keep asking me to sell them more of our products but to develop high-tech, intelligent products like ours take time. I want to see Healthcare Alliance offer opportunities for fast-track research and development.” (Informal interview: Madeline, Sensorcare Systems, 30th October 1998)

“We have a unique product. We are effective in carving out our niche in the international markets. We used to be a company that made lamps for theatres but now we want to project ourselves as a provider of the ‘complete’ package of theatre equipment. There are many things we want to add to our product range. Some of them can be sourced straightaway from other Healthcare Alliance members or other outside companies. But we want to offer something unique as we always aim to do. So, the long-term objective is to develop our own research and manufacturing expertise for more products.” (Informal interview: Graeme, Brandon Medical, 30th October 1998)

For a number of participating firms including Orthopaedic Innovation, Bolton Surgical, Braun, Customflex and McKenna, the collaboration was a group-funded marketing function staffed by designated members from each company in order to carry out large-scale marketing, in particular, promotional and sales activities. In the early board meetings, the participants from these firms repeatedly tried to articulate their views of what HCA’s priorities for activities should be. The topics of discussion varied from marketing strategy to promotional tactics, and people related situations from prior experience they had gained from other collaborations. Being highly proactive and action-oriented was particularly important for this group of firms, as they described as follows:

“I am sick and tired of just talking about doing something and then nothing happens. This alliance thing has to deliver results from day

one...” (Informal interview: Don, McKenna Precision Castings, 6th November 1998)

“I was previously involved with another group. It all started off well. A lot of meetings...everyone was excited but nothing came off it. I don't want to waste time doing that again. So, whatever we are about to do, it has to be very action-oriented.” (Informal interview: Peter, Bolton Surgical, 6th November 1998)

“I am not interested in big ideas. I am just interested in getting together with people with the same interests and do something that would benefit mutually. Let's talk less and do more.” (Informal interview, David Orthopaedic Innovation, 6th November 1998)

When delegates of Dawson Medical, HTS and Sidhil Care attended the first board meeting, the level of enthusiasm was high and they were ready to ‘get stuck in and make a go at it’. Apart from being keen to get to know each other, the delegates of these firms were enthusiastic to listen to each partner's expectations and concerns. The establishment of a clear working method was a matter of high priority for these firms. They were forthcoming to emphasise the importance of shared experience through joint-efforts in the competitive bidding of large project contracts in the UK and other international markets:

“Initially, I want to see a couple of trial projects that we will jointly bid for. Now that we have more complementary products, we will be in a position to bid for larger hospital projects more competitively. We can

then evaluate the results and establish the final forms for future collaboration. Actually, some of us like Brandon, HTS and Braun have already done similar things in the past. We can now go for larger scale projects.” (Informal interview: John, Dawson Medical, 6th November 1998)

The willingness to collaborate was negotiated and committed to by virtue of the so-called ‘statement of intent’, which is essentially a written form of ‘expression of intention’. The statement of intent was used as an important mechanism to: (a) enable each firm to express a clear commitment to the alliance; and (b) establish a preliminary terms of reference under which negotiations were to take place. No lawyers were involved at this stage but a representative from the Sheffield Chamber of Commerce was invited to attend to act as a mediator and legal adviser. The statement of intent represented the collaboration’s very first achievement and it helped establish a common understanding and desire to collaborate, paving the way for subsequent, more ‘concrete’ discussions. :

“I really like this...something so simple and yet effective to sort out those who are really interested in doing this thing. We see who really mean what they say, and we don’t have to pay any lawyer to draft any contracts when we are really not ready. When I was involved with the last lot, we didn’t do any of this. There were some people who just tagged along for ages but weren’t really wanted to commit to anything at the end. This should help avoid these time-wasters.” (Informal interview: Peter, Bolton Surgical, 6th November 1998)

After three months of discussion and negotiations, the participants from all ten firms agreed that the initial efforts would be conducted in the sense of a trial with a few common trial customers. This focus on having a 'shared customer base' and the associated 'joint-marketing activities' turned out to be the guiding characteristic of the continued collaboration, as well as the overall basis for assessing the contributions. In the first instance, all member firms agreed on the joint task of listing five prospective customers or sales leads, and together putting forward ideas about suitable joint-marketing activities. After a few months, it became apparent that the list of customers or sales leads was not forthcoming as most participants either could not agree on the target customers/markets or were unwilling to share their contacts. Some of the participants became rather frustrated and felt that time was being wasted:

“We have come a long way in the last few months since we decided to do something as a group. We have got to know each other and tossed out a couple of good ideas together. But for this to work we need common customers, otherwise we might as well call it a day...” (informal interview: Kevin, Medilink, 12th March 1999).

“I have stopped coming to every meetings because it is just so frustrating that not everyone is on the same page. No one is willing to make a gesture...to offer some of their customers...I am beginning to think this may not work after all.” (Informal interview: Peter, Orthopaedic Innovation, 9th March 1999)

With the Board's permission, the Executive Group decided to modify its strategy. Whilst the emphasis was still on customer-driven development the alliance decided to focus on a number of small projects to begin with. The participants began to allocate roles amongst themselves and small working groups set up to tackle certain designated tasks. For instance, while certain individuals took on the responsibility of market research, two or three others prepared documents for competitive bids, and another three organised the forthcoming trade exhibition.

The first project aimed to create a corporate brand for the alliance within which a unified identity could be forged and a clearer purpose of the group established. This was achieved by the incorporation of the alliance into a limited company, the creation of a brochure and an interactive website for marketing purposes. The idea was to reinforce the group's *raison d'être* and serve as the basis for customer presentation. Eventually, the board arranged a meeting with a potential customer from the National Health Service to present the emerging concept of the alliance. Based on the positive response, the alliance had thus tentatively arrived at a stage where a common customer was seriously interested in the kind of applications being proposed. Discussions took place on how best to jointly approach other customers, both in the UK and overseas, and how to divide sales and returns. The Executive Group was tasked with planning and outlining the basis for further collaboration, thus preparing portions of future negotiated agreement between the partners. Rather than planning for activities one after the other in a predetermined sequential manner, the partners were continuously trying to find a more effective way to turn their respective competencies into

work. When carried to the ultimate negotiation, commitment and execution took place concurrently.

In addition to the meetings and workshops for carrying out the tasks, the partners held follow-up board meetings with the specific purpose of evaluating the outcomes of the on-going activities. They evaluated the results of specific marketing efforts, as well as the process of doing them. Those meetings appeared to have an impact on their future undertakings, and how they were being conducted.

For information sharing, the partners established a common protocol of how customer and sales information was to be disseminated, which was an arrangement that further instilled the sense of community. The HCA went public in July 1999, launched at a European trade fair nine months after the parties had met for the first time.

These early 'trial' projects seemed to have lived up to the expectations of most partners. When asked, many partners found the activities organised by HCA added value to their respective work, and praised the Executive Group for its efforts. Despite this, some partners, in particular, Customflex, HTS, Dawson Medical and Sidhil Care, became gradually disinterested after the public launch in July 1999. They began to question the viability of the alliance as a business entity and renegotiate how best to value the success of the collaboration.

“It is as if they (the participants of Customerflex, HTS, Dawson Medical and Sidhil Care) suddenly understood that they won't get as much as they

would like out of the project. And that's why they started to make things look difficult and unworthy of their time...that the project is just a money pit and nothing tangible would come of it." (Field notes, 13th July 1999)

They held different views about how to acquire suitable customers and utilise the shared resources. Further, they began to question if HCA would actually deliver what it intended to, and whether all the discussions about collaboration had simply been a pretext for some members to gain access to their large customer base. They held the view that the largest company in the alliance – that is, Sidhil Care – as the 'natural leader' and thus thought it best that Sidhil Care should be nominated to lead and coordinate all sales and marketing efforts.

These remarks made other partners, in particular, Bolton Surgical, Brandon Medical, SensorCare and McKenna, suspicious of their partners' intentions and willingness to collaborate on equal terms. They accused those who were unwilling to share customer contacts as trying to withhold essential information therefore jeopardising any future development plans. The already strained discussion got even more heated when the Brandon Medical participant expressed the following:

"I don't agree with this whole idea of certain member of the group having more decision power than others. We are supposed to be equal partners. I think the current system works well, with Medilink as our centre point coordinating the whole thing. Just because Sidhil is bigger than us does not necessarily make them the best candidate to drive this thing. I thought the alliance is about improving export. We would like to think that we

have become pretty good at it. Unlike them, we are willing to share some customer information.” (Informal interview: Graeme, Brandon Medical, 13th July 1999)

Once the collaboration had started to falter, some partners in the alliance gradually lost contact. Appointments for Board and Executive meetings were frequently rescheduled, and occurred at longer intervals. Every extra day of delay and each evasive answer from those ‘unwilling partners’ annoyed the others. This change in the level of commitment adversely affected the climate for further negotiations. When the Executive Group initiated discussions on further joint projects in accordance with the initial business plan, the dialogue revealed the differing views of the alliance partners. Consequently, they entered an endless process of renegotiation in an attempt to ensure future commitments and results. Approximately six months after the start of the ‘second round’ of bargaining, the alliance partners were still unable to re-establish a sense of purpose, which were shared in the beginning. The chances of starting the next phase of development appeared to have been lost forever. The collaboration soon dissolved into silence without any further meeting or formal notice of termination.

Analysis

Ring and Van de Ven (1994) suggest that partners in a collaborative inter-organisational relationship continually negotiate, make commitments and put their intentions into execution, a description that corresponds to the findings in this study. The emergent process of HCA has provided a narrative on how a collaborative venture was formed as a result of the continuous cycles of the

partners' negotiation, commitment and execution. The three cycles, which can be characterised as the junctures at which significant events were observed in the relationship, are summarised in the table below. Issues which arose out of the emergent process of HCA and other events not reported here which I observed whilst participating in the social setting are discussed here.

A Summary of the Emergent Process of HCA

| | Negotiation | Commitment | Execution |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cycle One | <p>An initial idea proposed by Medilink. A group of companies would set up a trial' collaboration to combine resources, products and services to enhance marketing effectiveness.</p> <p>Preliminary meeting to explore new business opportunities.</p> <p>Established a preliminary terms of reference under which negotiations were to take place.</p> | <p>Statement of intent based on wide-ranging terms.</p> <p>The partners developed joint expectation about their motivations and possible investments to undertake jointly.</p> | <p>Executive Group was established to act as the Executor to implement agreed projects.</p> |
| Cycle Two | <p>Task domain and an idea about initial offer.</p> <p>Discussions took place on how best to jointly approach customers, both in the UK and overseas, and how to divide sales and returns.</p> <p>Proposed time schedule for the joint development of marketing strategy.</p> | <p>Incorporation of the alliance into a limited company, the creation of a brochure and an interactive website for marketing purposes.</p> <p>The partners agreed that the initial efforts would be conducted in the sense of a trial with a few common trial customers.</p> | <p>Various small marketing projects were agreed.</p> <p>Working teams set up to concentrate on specific tasks.</p> <p>The board arranged a meeting with a potential customer to present the emerging concept of the alliance.</p> <p>Public launch March 1999.</p> |
| Cycle Three | <p>The partners held follow-up board meetings with the specific purpose of evaluating the outcomes of the on-going activities.</p> <p>Delayed activities.</p> | <p>Endless renegotiation in an attempt to ensure future commitments and results.</p> | <p>Although formally in progress, all project activities ceased as some partners lost contact.</p> |

Source: Based on Ring and Van de Ven (1994) and Marshall (2004)

The evolution of inter-organisational relationships

The emergent process of establishing inter-organisational relationships within the HCA appears to suggest that the process is dependent upon the comparative achievements in negotiation, commitment and execution. It was a process

characterised by continuous re-evaluation and reorganisation over time, and a process within which the collaborative partners were willing to practice and encourage cooperative rather than adversarial behaviour. The partner's ability and authority to exercise their role as an equal, active participant was an important factor.

Ring and Van de Ven (1994) proposes that the emergence of cooperative inter-organisational relationships requires that individual choices, made in the present and realised in the future, be congruent – that is, the present sense of purposes, values or expectations for the collaboration is identical among the partners. Parties must negotiate and commit to achieving congruency in presently expected consequences by undertaking a line of behaviour regarding a presently uncertainty-filled future. In that sense, they argue that “to understand how cooperative inter-organisational relationships emerge initially, it is important to understand how people can make present commitments to engage in uncertain future courses of action and the sources of security that lead them to believe that the terms of their representations and commitments are congruent and will be enforceable” (p.99).

In achieving congruency, the findings of this study suggest that the evolving nature of the emergent process of establishing inter-organisational relationships had required the partners involved to have the ability and motivation to assume the risks of acting between different stages of negotiation and commitment. In a comprehensive review of literature on motivation, Turner (1987) suggest that identity and inclusion were two fundamental factors that impact on what

motivate human thought and action. These factors offer the basis on which the development of inter-organisational relationships may be explained in the motivational and cognitive predispositions of individuals to engage in sense-making and bonding processes. From the psychological perspective, Turner explains that sense-making derives from the need within individuals both to have a sense of identity of self in relation to others and to construct a common external factual order regarding social relationships. Interaction is constrained by the need among transacting parties to feel that they share a congruent understanding of the outside world. Communications between parties produce this shared interpretation which often emerges gradually and incrementally. These so-called sense-making and bonding processes thus enable collaborative partners, who may initially have differing views of the potential purposes and expectations of a relationship, to achieve congruency in their relationships.

This sense-making process had also help the HCA partners to establish psychological contracts with one another. Psychological contracts, as Kotter (1973, see also Nicholson and Johns, 1985) explains, consist of unwritten and largely non-verbalised sets of congruent expectations and assumptions held by transacting partners about each other's prerogatives and obligations. They may include areas such as common agreement on norms (e.g. the sharing of proprietary information), work roles (e.g. project team leader), the nature of the work itself, social relationships or security needs. In the early negotiation stage of HCA, the perceived unpredictability of outcomes made it difficult for the partners to predict and apportion a guaranteed result or success prior to its realisation. The partners were then unwilling to commit themselves to fixed,

contractual agreements. Instead, they committed themselves through a less formal, non-legally binding means i.e. Statement of Intent, something which was more 'psychologically' meaningful. The Statement of Intent enabled the partners to establish psychological (as opposed to contractual) agreements to initiate joint activities during the early negotiation period. It thus consolidated the beginning of collaborative activities paving the way for a possibility for further, deeper engagement later on.

The use of psychological contracts had afforded the partners of HCA a flexible and constructive means to initiate commitment for joint activities that could not offer guaranteed, predictable outcomes. The challenge however was to maintain the cyclical process of negotiation-commitment-execution, and to sustain that motion in the absence of any contractual, legally binding agreement. The absence of legally-binding contractual agreements meant that partners were not legally obliged to deliver what they were expected to hence increasing the risk of conflict which could lead to termination.

To keep the negotiation-commitment-execution cycle moving forward without contractual obligation, the relationships formed between collaborative partners need to become institutionalised. From a social-psychological point of view, Berger and Luckmann (1966) define the term institutionalisation as a socialisation process that transforms an instrumental transaction into a socially embedded relationship by infusing it with norms and values that permit the relationship to be reproduced. Ring and Van de Ven (1994) suggest that the institutionalisation of a relationship can emerge from basic interactions that

evolve over time between formal and informal processes of negotiation, commitment and execution.

The interplay between these formal and informal processes was evident in the HCA. The formal process was manifested in the alliance's administrative function which included the regulating of the flow of work concerned with ensuring efficient administration and the allocation of tasks. This function was emphasised by the formal 'businesslike' nature and the efficient, authoritative behaviour of all partners. The achievement of social cohesion within the alliance was an important informal process that underpinned the efficiency of the (formal) administrative function. As described by one of the partners:

"In meetings, we can all talk about what are on our mind. We will then have a consensus and will make a friendly and supportive response to each other's suggestions...the meetings will help weld us into a team..."

(Informal interview: Madeline, Sensorcare, 27th February 1999)

This 'team building' encouraged the sharing of values and ideas both to other members of the group and to decisions made by the group. This relates to what Kiesler (1978) referred to as the

"...very special power that groups have over individuals, a power influence the way group members think and how they behave through group norms. Group norms are shared expectations and guidelines for belief and behaviour...Norms like these acts somewhat as a non-human member of the group who supervises social interaction, ensuring that

individuals behave as though they belong to the group, care about it, and do not disrupt its functioning (p.96).

The administrative efficiency and the social cohesion achieved through the meeting allowed the Alliance to achieve one of its principal objectives – ensuring that synergy could be created from the combining of previously separate resources, positions, skills and knowledge sources. Many transactions were never completely formally specified because the informal processes served as substitutes for the formal transaction processes. This could only be achieved if there were high levels of group cohesion and personal trust. The personal bonds that flew from congruent sense making and psychological contracts produced trust in each other's goodwill. Although this embedding of personal ties in addition to formal role relationships might create some awkward entanglements, it provided personal as well as professional bases for any conflict resolution. In their studies, Ring and Rands (1989) observed situations in which only those contingencies that are seen as possible, important, and open to significant disagreement between the partners are likely to be addressed in legal contracts. The remaining issues become taken-for-granted assumptions in the psychological contracts that partners develop in relation to each other through repeated interactions. This enhanced ability to rely on trust, as observed, has important implications for relationships between formal commitments as written into the legal relational contract and informal psychological contracts that evolve as a collaborative relationship institutionalises.

The nature of inter-organisational decision-making

Given the number of partners involved in the decision-making and the diversity of interests within the alliance, it was hardly surprising that reaching any agreement on actions could be a long, difficult process. The idiosyncratic styles of management and communication in each partner had often contributed to disagreements making the process of decision-making much more complex and time consuming. Child et.al. (2005) have referred to this as what they called cultural heterogeneity, which may be a product of the parent firms' different corporate cultures, and it increases in the case of multiple-partner collaborations, when a mix of structures, modes of operation and cultural attitudes is present.

Despite the rhetoric of the need to create 'common understanding' and 'working together can help us compete better', some partners tend to view the collaboration as a means to gaining access to easy public funding via Medilink and a way of acquiring free, extra help for their own ends. Getting approval for extra public funding was often viewed as a priority to other joint marketing activities because free, extra resources were anticipated. One of the partners confirmed that "...some of them seem to be in it just for the funding. They see this as an opportunity to draw down government monies and believe all they need to do to get something for nothing is to put their name down under HCA..." (Informal interview: David, Orthopaedic Innovation, 31st March 1999). A small number of partners complained because they felt that the alliance had not provided them with sufficient free, extra resources to see to their special needs. In attempting to gain free resources, they had once ignored agreed alliance procedures and approached Medilink directly without consulting the Board. My

interpretation was that their interests conflicted when it came to a choice between responding to their own immediate needs and ensuring order and equity in the alliance.

This provided a conflict between the rationale for the type of decision which was based largely on views of individual partner's needs and the rationale for the decision which was based on all partners' needs and the notion of 'fairness'. In their study of international joint ventures, Shenkar and Zeira (1992) found that this conflict may arise when the priorities of one partner conflict with those of another, which means that the collaboration's manager – that is, the Executive Group – faced conflicting simultaneous demands from those partners. Cultural heterogeneity within the Alliance added to this conflict because it presented the Alliance executives with conflicting expectations about the values that should inform the collaboration and the manner in which it should be managed.

The statement of intent stated that “any decision must meet the needs of the Alliance bearing in mind the wishes of partners and the availability of resources”. In its role as ‘guardian of the Alliance’, Medilink required the Executive Group to be careful with resources. One of the effects of this was to make members of the Executive Group mindful of the need to produce detailed justifications for all actions which would be acceptable to all partners. This was confirmed by one of the members of the Executive Group who said: “Some partners are getting a bit twitchy about what is being done with their money. From now on, we need to justify our actions on clear financial grounds not just strategic ones...” (Informal interview: Madeline, Sensorcare, 29th March 1999).

The complexity of decision-making and the exercise of power and control over decisions were also played out in what should be included in the agenda of board meetings. Following a discussion with an executive group member about the preparation of the agenda for a Board meeting in March 1999, I was informed that some partners were not happy that they were not consulted in advance about the agenda of forthcoming board meetings. She suggested that, “whether or not an item goes on the agenda should depend on whether all Board members had time to chew on the minutes and referred documents of previous meetings” (informal interview: Madeline, Sensorcare, 21st May 1999). During another discussion with another executive group member I was told that there should be more ‘dialogue’ over decisions, particularly in the choice of target markets and in determining specifically the amount of resources allocated to each market. It is understandable that a partner had an interest in the provision and resources committed to each market. However, both of these decisions were constrained by other factors such as the amount of money available within the budget for this provision, which considered the needs of the market and previous experiences with similar markets.

These difficulties in decision-making were observed by Child et.al. (2005) as being common in the general management of inter-organisational collaborations. The most salient difficulty stems from the presence of multiple partners in an inter-organisational collaboration. If there were just two partners, as they explain, their demands would likely to be direct and forceful, and potentially conflicting, unless one clearly dominates. When there are more partners, as was the case in

this study, each with a smaller stake, the pressure that each exercises over the decision-making is reduced, but the demands they place on the collaboration will tend to be more diverse. When faced with demands from parent companies that are inconsistent or that conflict with the best interests of the collaboration as a business in its own right, the general management will experience the dilemma of conflicting loyalties.

Some partners were also concerned that there was no proper follow-up or planning of what happened after a decision is produced. I asked the director of Medilink: "Isn't that mainly the Executive Group's responsibility?" He replied: "It should be a joint responsibility. All partners have invested an equal amount of money into the Alliance, they should all assume a share of this responsibility. For practical reason, one or two persons must be designated to do this on behalf of others. Medilink could do this but it is difficult because of a lack of manpower. We could do a few properly, with follow-up, to set an example...but ultimately the Alliance has to be responsible for its own follow-ups." (interview: Kevin, 9th July 1999)

Despite being generally dissatisfied with the bureaucracy of the decision-making procedures and their emphasis on 'group' (rather than 'individual') benefits, the partner with whom I discussed this did refer to some positive outcomes of the collaboration:

"It has forced us to look beyond our own immediate interests...it gives us a chance to think about what we can achieve as a group, together. Everyone has a sense of responsibility as a stakeholder of the Alliance

and would agree to a certain extent to the final decisions even if they are not how they want them. It is the only way that an Alliance can work.”

(Informal interview: Madeline, Sensorcare, 8th June 1999)

This would seem to be confirmed by Ring and Van de Ven (1994) who found that there are powerful social-psychological motivations for preserving relationships in collaborative inter-organisational relationships that entail transaction-specific investments. The investments include not only economic and technological resources of participating firms, but also social commitments and entanglements of individual agents. Following Turner (1987), Ring and Van de Ven went on to explain that the level of motivation and commitment to a relationship is an inverse function of the anxiety associated with needs to: (a) feel included; (b) sense predictability in the response of others; and (c) feel secure in that things are as they appear. An imbalance in a relationship implies that some or all these needs have gone unfulfilled. It is therefore not only in the economic but also in the psychological best interests of participating firms to find ways to preserve their socially embedded relationships.

The difficulties of collaboration

It is not uncommon that conflicts and difficulties occur in the management of inter-organisational relationships especially within a multi-partner collaboration due to differences in corporate culture and management practice. This is reflected in the increasing research interests in the ending of inter-organisational relationships (see, for example, Miles and Snow, 1992; Perrian et.al., 1994; Park and Russo, 1996; Bruner and Spekman, 1998; Tidström and Åhman, 2006),

Understanding factors or reasons that lead to the difficulties of collaboration which often precipitate the ending of collaborations can broaden our understanding in the management of inter-organisational relationships.

Within HCA, there were two areas of general management that added significantly to the difficulty in the day-to-day operations of collaboration. First, the partnering firms appeared to have very different organisational cultures especially in the way business decisions are made. For instance, whilst some company directors could seemingly make unilateral decisions on their own, others need to follow a more formal organisational procedure (e.g. budgeting) to arrive at a decision. The following are excerpts from interviews that took place after a meeting about financing HCA to attend an exhibition in Germany.

“I don’t get it! Since we were all sitting right there in the meeting, why couldn’t we decide right there and then we want to each put £2000 into the pot so we can get this thing moving...people just can’t make up their mind, they want to go talk to their companies...we are wasting time...”

(Informal interview: Peter, Bolton Surgical, 12th February 1999)

“You know, they are like rushing into things without thinking it through. I am not going to give my money away until I know exactly what is going to be done with it...I don’t like being pushed to make a decision.”

(Informal interview: John, HTS Ltd., 12th February 1999)

“I am only here on behalf of my MD (Managing Director) so am not authorised to make any money decisions. I have got to get back to him. I

will tell him that I am in favour of this but it is up to him...People don't understand, we have procedures for budgeting and things like that. If there is no more money for this budget then money has to be found somewhere else..." (Informal interview: Julia, Sidhil Care, 12th February 1999)

It would appear that whilst these partnering firms shared a common interest in working together, they had thought little about the perceptions and stereotypes that each held about the other or about managing cultural diversity and establishing a set of common values that placed currency in the cultural differences of the partners. On a shared car journey home after a HCA meeting, the director of Medilink said to me, "they would fight over some minute things that are technically very small issues. To run an alliance of this size takes time, and time is running out..." (2nd April 1999). Within an equally distributed joint-equity collaboration, all partners could veto any decision which they did not agree with. There was a concern that with an equal voice decision making would stall and time would be wasted as the partners attempted to reach consensus on key business issues.

Inter-organisational collaborations consist of people who need to work together co-operatively. Inattention to the importance of cultural differences will only accelerate problems. Finding a common ground on which to build the value that first brought the firms together is imperative to the survival of inter-organisational collaborations. In complex, multi-partner collaborations, longer periods of time are often required to establish a web of interpersonal ties among

key managers, to build a more accepting environment for cultural differences, and to nurture the trust and commitment that are essential for success. Bruner and Spekman (1998) suggest that, given the right conditions, longer periods of time would enable trust and synergy in decision making to emerge. In doing so, operational tensions may be remediated and relationship problems resolved.

The second area that added to the difficulty of collaboration is the lack of management capabilities to provide appropriate leadership in managing the inter-organisational relationships between partnering firms. A number of research studies suggest that most (i.e. more than 50%) inter-organisational collaborations are terminated prematurely (see, for example, Harrigan, 1988; Bleeke and Ernst, 1993; Park and Ungson, 1997). There is often a disparity between the concern that the top management of companies shows in the formation of alliances and the attention it pays to managing them once they are established. In her research into international collaborations, Kanter (1994) observes that top executives tend to devote more time to screen potential partners in financial terms than to manage the partnership in human terms. They worry more about controlling the relationship than about nurturing it.

The lack of suitable management capabilities was identified as a source of failure in building appropriate buy-in, involvement and participation of the partnering firms within HCA. Although the firms had a shared vision of what they would like the collaboration to achieve, the strategic implementation plan was developed at a very abstract level. I made the following observations in my field notes:

“I have been involved in the HCA for 9 months now. Nothing much has happened yet since the initial business plan was drawn up...The Executive Group is doing all it can to facilitate but we need people from the firms to come forward to take on what needs doing...” (6th June 1999)

“...I am getting the impression that everyone seems very clear they want to get some businesses out of this collaboration. They have spent so much time discussing the terms of business, financial arrangements and meeting arrangements but every little has actually been said about how all these are going to happen...there is a lack of co-operation! I am beginning to realise that none of these people actually have any experience in leading and managing something like this. What is more worrying is that they don't have any experience of working co-operatively...” (20th July 1999)

“Spoke to Madeline (Sensorcare) on the phone earlier this afternoon about my concerns for the lack of suitable leadership and management skills. She has noticed that as well. She said: “These men have a lot of experience between them as managers of small businesses but they have probably never done something like this. This is outside their comfort zone...The trouble is this is new for everybody...” (23rd July 1999)

The findings show that the management capabilities to work co-operatively in order to ‘translate’ the vision into implementation were missing in the management of HCA. The managerial skills required to manage an inter-organisational collaboration are different from those required for similar

positions in a 'normal' organisation. In a study of company executives and collaborative managers involved in forming and managing international collaborations, Frayne and Geringer (1995) found that over 85% of parent company executives thought that the managerial skills required for managing collaborations were more challenging due to the complexities in managing inter-organisational relationships. Newly appointed managers of collaborations had little in the way of guidelines to help them in these managerial roles. They often received ambiguous indications and inadequate support for what they were expected to achieve.

To manage a collaboration successfully, Child et.al. (2005) propose that there are two main requirements that need to be addressed. First, the manager of collaboration must ensure that the expectations of partners are reconciled and incorporated into the strategy for the collaboration. Meeting the expectations of partners involves a combination of securing their consensus on the collaboration's strategic objectives as well as maintaining the partners' continuing support in achieving them. This first requirement is one of managing cooperation between the collaboration and its partner firms, and managing the relations between the partners themselves. The second requirement in managing collaborations is to install measures that promote the collaboration's internal effectiveness as an ongoing operation. This involves setting up appropriate organisational arrangements (e.g. personnel, line management), providing leadership to achieve co-operations from partners, and ensuring appropriate information flows within the collaboration (Child et al., 2005).

To achieve a high level of co-operation and commitment from partners within collaborations is likely to require intense effort and considerable patience. In his study of international alliances, Ring (1996) identifies the formal and informal processes through which co-operative strategies can be developed and sustained. The three formal processes are negotiational, transactional and administrative. Often seen as significant during the formation stage, negotiational processes play a key role throughout the life time of collaboration in ensuring the alignment of collaboration strategies with those of the parent firms. Transactional processes are concerned with how partners make commitments to action and settle the terms on which the collaboration will operate. Administrative processes involve managing the execution of partners' commitments in order to maintain the collaboration as an operating organisation.

Ring (1996) argues that the successful accomplishment of these three formal processes depend upon three what he refers to as informal processes i.e. sense-making, understanding and committing. Sense-making is a process that facilitates individuals involved to align their preferences in relation to others in a co-operative relationship. The process of understanding enables all parties to a co-operative relationship reach a shared understanding of the context in which their collaboration operates. Committing is a process that produces psychological contracts between the cooperating individuals. Through this process, they internalise tacit expectations and assumptions about each other's prerogatives and obligations.

Due to the intensity of these processes, as Ring's findings suggest, it is inevitable that managers of collaborations would need to devote considerable efforts and time to achieve the necessary sense-making, understanding and commitment. To achieve this, there must be an understanding and acceptance of the co-operation by those who will work within it.

Learning and knowledge acquisition in inter-organisational relationships

Inter-organisational collaborations provide firms with a unique opportunity to leverage their strengths through learning from their collaborative partners. By bringing together firms with different expertise, skills and experiences, collaborations create unique opportunities for inter-organisational learning (Inkpen, 1998).

By nature, inter-organisational collaborations are a looser form of organisational entity compared to individual organisations (Larsson et.al., 1998). Individual organisations learn by changing its actual routines (Levitt and March, 1998), a collaboration of two or more organisations can learn by changing its inter-organisational routines of possible joint activities. Inter-organisational learning, as Astley and Van de Ven (1983) suggest, can therefore be viewed as "the collective acquisition of knowledge among a set of organisations that interact to construct or modify their collective environment, working rules, and options" (p.251). This learning would not have been possible without the deliberate but synergistic interaction between the participating organisations.

The formation of collaboration is an acknowledgement that the partners have useful knowledge to share, and the collaboration present a unique platform on which partners can leverage advantage through the sharing of each other's knowledge bases. In his study of inter-organisational learning, Inkpen (1998, 2002) observes that participating firms may not necessarily actively seek to acquire knowledge from its partners even though the knowledge is deemed useful. Firms involved in collaboration have a choice as to the resources and efforts that would be devoted to knowledge acquisition. In some collaborations, as he explains, "partners aggressively seek to acquire knowledge while in others, the partners take a more passive approach to knowledge acquisition. A firm using collaborations as a substitute for knowledge it cannot create on its own may be content to remain dependent on a partner and thus, may place a relatively low value on knowledge acquisition. In this scenario, if the collaboration is terminated (and most collaborations are terminated at some point), the dependent firm may find that its knowledge base has eroded" (p.224).

This so-called acknowledgement that collaborative partners have useful knowledge to share was present in HCA during the early stages of its formation. In one of its Strategy discussions, the following was documented in the meeting minutes:

1. HCA is founded to provide an avenue for members to learn and internalise new skills, in particular those which are tacit, collective and embedded (i.e. something hard to obtain and internalise by other means). Learning acquired within the Alliance may remedy skill

deficits, improve the competitive standing of members and develop new competencies for the future.

Value is created when learning is used to extend each partner's skill base through jointly building new skills rather than trading pre-existing ones, in particular, learning to build new marketing skills and working together in a more dynamic and creative environment.

2. The Collaboration is capable of creating stronger competitive capabilities for individual members by bringing together providers of complementary medical goods and services that allow new businesses to develop. Competitive advantage could be created via:
 - a. 'The building of critical mass' to overcome the negative customer perceptions and corporate weaknesses of being a smaller player in the market.
 - b. To safeguard existing market shares and challenge the monopolistic positions of market leaders.
 - c. To attract complementary suppliers into HCA for their contributions of products/services and differentiating resources.

Cooperative alliances and networks are often formed between organisational partners who perceive that they can benefit from their complementarities (Geringer, 1991). To enable inter-organisational learning to take place, partners must be able to access each other's knowledge bases. When there is a high level of competitive overlap in product offerings between the collaborative partners,

reluctance to share knowledge tends to be high due to the perceived risk of sensitive knowledge 'spillover' to a rival partner. In these situations, a firm may actively seek to prevent knowledge leakage to their partners as the sharing of knowledge could potentially lead to the creation of a competitor (Inkpen, 1998).

In my observation, inter-organisational learning had taken place within the HCA, albeit on an *ad hoc* basis, amongst the partners with complementary (as opposed to competing) products. These partners generally shared a consensus that they could collaborate to compete better through the provision of a wider range of complementary products and better services for their customers. There were clear examples that intelligence on specific markets had been passed on from one member to the others, and knowledge on international tendering shared among members. For instance, Brandon Medical, Braun, HTS and Sensorcare were sharing technical knowledge and exchanging customer details especially in areas with potential mutually beneficial collaborative opportunities.

In contrast, inter-organisational learning was less evident amongst partners with competing products. For instance, there were instances when asked to share customer details and new product information, some partners explicitly refused to agree to any knowledge sharing initiatives. The rationale for these firms' protective actions was that the information involved was highly proprietary. Child et.al. (2005) argue that opportunities to learn are generally greater between competitors. The balance between the contributions each partner makes to the alliance and benefits each is able to extract from it will be a sensitive issue.

Inevitably, this kind of collaboration tends to be relatively short-lived and the partners may well revert to competing with each other.

Trust is a principal enabler in facilitating organisational learning. Increasing trust between partners, as Inkpen (1998) suggests, may mitigate partner protectiveness. An atmosphere of trust should contribute to a higher level of exchange of information between committed exchange partners since they are less likely to feel that they have to protect themselves from the others' opportunistic behaviour. In the absence of trust, information exchanged may be low in accuracy, comprehensiveness, and timeliness because the partners are less willing to take risks associated with sharing valuable information. In the early stages of its formation, inter-organisational learning in HCA was limited as the level of trust between partners was low. There was a lack of resource and time commitments to put in place an appropriate structure for enabling effective knowledge sharing and management. There was no adequate communication and incentive to cultivate practices of information sharing and organisational learning. The partners were unwilling to impart their knowledge because trust had not been appropriately built up to facilitate this process.

In the exploitation of a collaboration's learning potential, senior managers must recognise that inter-organisational learning is a complex process that requires a high level of their commitment. Their role in enabling effective knowledge acquisition is critical, as a lever for reducing organisational barriers to learning. They are in a position to establish organisational procedures and provisions that foster the learning process within their cooperative ventures (Child et.al., 2005).

While multiple advocates are important, there must be one strong champion of knowledge creation in a leadership position. His role is especially crucial in initiating linkages between parents and collaborative strategies. Within the HCA, for a small number of partners, the collaboration functioned like a related division of their parent companies. The senior managers of these partners had long-standing personal relationships with each other, and were committed to building the alliance relationship and leveraging the collaborative experience to strengthen their own companies. For instance, in pursuing the Middle East markets, they shared their unique and differentiated experience, existing business relationships and technical expertise. Collective learning was created and became substantial when these resources are bundled together in a joint effort to establish a greater presence and a shared identity in these markets.

Chapter summary

It is the purpose of this chapter to report on this thesis's case study and, through the analysis of data, establish an understanding of how inter-organisational partners collaborate to enhance their competitiveness in the international marketplace. It examines how these partnering firms jointly accomplish and support the initiation and early development of a collaborative inter-organisational relationship to create new business opportunities. This is achieved by presenting empirical data from the formation process of strategic collaboration between the ten partnering firms in this study; analysing the characteristics of the case; and discussing the implications of the findings.

The findings presented in this chapter offer insights into some aspects of how organisations collaborate to enhance their competitiveness and acquire new knowledge through inter-organisational learning. A number of critical issues relating to the nature of this particular collaborative inter-organisational relationship have emerged from this analysis. These issues are of interest both in terms of critical understanding of this unique case and for their implications for the analysis of other collaborative inter-organisational relationships.

The findings reveal an emergent process that is dependent upon the comparative achievements in negotiation, commitment and execution. The focus of this process incorporates the formal, legal, and informal socio-psychological dimensions by which organisational partners jointly negotiate, committed to, and execute their relationship in ways that achieve efficient and equitable outcomes and internal solutions to conflicts when they arise (Ring and Van de Ven, 1994).

The limited prospects of specifying agreements and contracts in advance, combined with constant changes in conditions, imply the active management of an emergent process in which collaborating partners negotiate throughout the collaboration (Marshall, 2004). The management of senior managers required ‘tact’ and ‘diplomacy’ in order to balance conflicting agendas and interests. As the collaboration’s ‘guardian angel’, Medilink played a key role in this regard, but its preoccupation to ‘please everybody’ has limited its ability to perform this role effectively. Concerns about the management of the collaboration were also raised in connection with its accountability, as well as its ability to implement projects against pre-determined expectations.

The findings also show that the management of inter-organisational collaborations is more challenging than that of a 'normal' organisation because it involves maintaining active cooperation between multiple partners. As managers of the collaboration, members of the Executive Group of HCA found themselves having to take account of the expectations of various groups. Due to the lack of experience in management of collaborations, they experienced difficulties in facilitating the partnering firms to make sense of the collaboration in terms of their own expectations, and to reach a shared understanding of the context in which it operates.

An important theme of the findings is that collaborative relationships can produce a win-win learning payoff through inter-organisational learning for the participating partners. Valuable learning opportunities can emerge when different firms with differentiated, unique skills and knowledge bases are brought together. If properly managed, inter-organisational learning can produce tangible learning and performance improvements for all partners. Nevertheless, without deliberate and proactive management of the learning process and an understanding of the nature of inter-organisational learning, many of these opportunities may remain unrealised.

Summary and Conclusion

Chapter Six

Summary and conclusion

In this study I set out to develop insights into the nature of inter-organisational collaborations in SMEs as a means to expand into foreign markets and improve their international competitiveness. As I explained in chapter one, I am particularly interested in the question of how SMEs form inter-organisational relationships as a strategy to enhance international expansion in order to gain a better understanding of the management behaviour that precipitates this phenomenon. My focus is on the internationalization process as experienced by SMEs and in the ways in which they develop inter-organisational relationships as a way to overcome the challenges of competing internationally. It is also the interest of this thesis to study how the firms used collaborative relationships as an important source of inter-organisational learning which could, if properly managed, produce tangible learning and performance improvements for all partners.

In chapter two, I presented a reflective account of how I came to a personal understanding of firm's internationalisation through a process of struggling with the phenomenon, the concepts and the discourses in literature. I explained that a shortcoming of previous research in this field was the tendency to understand firm's internationalisation based upon "a small number of studies of larger firms in the 1970s in a small number of countries, given the numbers of entrepreneurial smaller firms in international markets today" (Carson and Coviello, 1996 in Fillis, 2000 p.778). Due to the unique nature of smaller firms, I believe that specific investigations into the conceptualisation of the internationalisation process of smaller firms could secure further development and refinement of previous studies; and hence contributing to a better understanding of firm's internationalisation behaviour.

I also explained that part of my struggle to understand firm's internationalisation is justified as the extant literature show little consensus on a definition of the term. In this sense, I questioned whether it is possible to have alternative understandings of firm's internationalisation, which can be applied in a number of contexts without leading to some imposed, deterministic or monolithic representations in these contexts.

In reconciling myself with the diverse nature of firms' international activities and behavioural patterns, I argue that any conceptualisation of these phenomena needs to adopt a more holistic approach by taking into account of the multi-dimensionality of firms operating in the international marketplace. To develop meaningful theories that reflect the true nature of firm's internationalisation, I believe that there is a need to recognise the intra- and inter-firm variability in resource endowments, market opportunities and managerial factors which could very well have considerable impact on a firm's internationalisation behaviour. In addition, the review of the extant literature also helped me to recognise that the internationalisation behaviour of firms is impacted not only by internal factors, but also by interaction and relationships with other firms. Social and business networks which are developed by the firms may be used to act as a catalyst for international development. I believe that the development of new theories would also need to acknowledge the role and influence of business networks/relationships in the enhancement of international expansion. My intention to explore firm's internationalisation within the context of SMEs by inductively exploring the nature of this process is central to the contributory value of this thesis.

In chapter three, I addressed the matters of methodology of this study. I introduced the reader to the methods of research, analysis and interpretation which have been used to show how sense has been made of the fieldwork discoveries. I explained why the study had developed in the way it did and why it focused on specific areas and issues at the expense of others. I argue that it was necessary to make explicit how my approach had evolved and the personal and academic influences that had affected the structure of the research and the writing up of it. I made clear my belief that the researcher's personality and experiences are inseparably related to the selection of the topic areas and research strategy. It is therefore crucial to share them with the reader rather than pretend to write from a stance of impartial neutrality as they would only be able to understand, follow and finally critically evaluate the findings when I abandon my objectivist disguise at the outset. This argument was a major influence in my approach, that the *personal* was very much a part of the conceptual framework and intellectual resource for the research that underpinned this study. An important contributory value of this thesis is the dynamic nature of theory development made possible by studying the firms longitudinally using participant observation to collect data in the natural social settings. Studying the firms longitudinally was a fundamental component of the research strategy and the means through which I was able to conduct fieldwork in ways that were sensitive to the nature of the setting in order to engage in interacting with the participants in their own language and on their own terms.

In chapter four, I presented the contexts of this research study and to provide the necessary information for the reader to understand the social settings in which the study took place. The presentation introduced each of the ten firms studied and

briefly explored the events and challenges they faced over the time period they were studied. The intention was to set out the contexts for the further analysis of the data collected in the following chapter of this thesis.

In presenting this presentation, I experienced difficult in defining the context and deciding how to present it in order to understand these firms and the inter-relationships between them. I achieved this by presenting HCA as a construct of equity, which has its roots in exchange theory, in which individuals seek to reconcile their self interests with the need to maintain social relationships (Homans, 1961; Blau, 1964). Partners to collaboration are, essentially, investors in it. As investors, they would accept certain risks in the expectation of securing favourable returns. Because of this, they are naturally concerned with how best to govern their collaboration in a way that minimises the risk and maximises the likelihood of a good return.

Following Child et.al. (2005), I explained that there are two main sources of risk facing collaborative partners. The first is the local institutional and economic contexts in which the collaboration is located. The risks arising from this context is called contextual risks. The second source of risk facing collaborative partners is derived from the special condition of multiple agencies that characterises joint-equity collaborations, in which the partners also act as an agent for one another. The risks that arise from this source are referred as agency risks. With reference to the interaction between the contextual and agency risks in firm's collaborations, I adopted Child et.al.'s typology to provide a framework of analysis to present the participating firms in this study, based on their owner-managers' respective

perception of his/her firm's involvement in the HCA and how this collaboration was to be managed. By doing this, I managed to not just define the context of the inter-organisational collaboration but also the inter-relationships between the partnering firms.

The findings suggest that there was no single preference for the structure of governance that was shared by all the partnering firms. Those that shared the same preference tended to share an understanding of the nature of the collaboration and how it should be managed. The resulting governance structure of HCA was underpinned by an 'amalgamation' of every partner's perceptions of the different levels of contextual and agency risk which they associated with the collaboration. The presence of multiple partners, with each placed its own expectation upon the venture, had inevitably complicated the corporate governance of HCA.

In chapter five, I reported on this thesis's case study and, through the analysis of data, establish an understanding of how inter-organisational partners collaborate to enhance their competitiveness in the international marketplace. The chapter examined how these partnering firms jointly accomplished and supported the initiation and early development of a collaborative inter-organisational relationship to create new business opportunities. This is achieved by presenting empirical data from the formation process of the collaboration between the ten partnering firms in this study; analysing the characteristics of the case; and discussing the implications of the findings.

The findings offer insights into some aspects of how organisations collaborate to enhance their competitiveness and acquire new knowledge through inter-organisational learning. A number of critical issues relating to the nature of this particular collaborative inter-organisational relationship have emerged from this analysis. These issues are of interest both in terms of critical understanding of this unique case and for their implications for the analysis of other collaborative inter-organisational relationships.

The findings reveal an emergent process that is dependent upon the comparative achievements in negotiation, commitment and execution. The focus of this process incorporates the formal, legal, and informal socio-psychological dimensions by which organisational partners jointly negotiate, committed to, and execute their relationship in ways that achieve efficient and equitable outcomes and internal solutions to conflicts when they arise (Ring and Van de Ven, 1994).

The limited prospects of specifying agreements and contracts in advance, combined with constant changes in conditions, imply the active management of an emergent process in which collaborating partners negotiate throughout the collaboration (Marshall, 2004). The management of senior managers required ‘tact’ and ‘diplomacy’ in order to balance conflicting agendas and interests. As the collaboration’s ‘guardian angel’, Medilink played a key role in this regard, but its preoccupation to ‘please everybody’ has limited its ability to perform this role effectively. Concerns about the management of the collaboration were also raised in connection with its accountability, as well as its ability to implement projects against pre-determined expectations.

An important theme of the findings is that collaborative relationships can produce a win-win learning payoff through inter-organisational learning for the participating partners. Valuable learning opportunities can emerge when different firms with differentiated, unique skills and knowledge bases are brought together. If properly managed, inter-organisational learning can produce tangible learning and performance improvements for all partners. Nevertheless, without deliberate and proactive management of the learning process and an understanding of the nature of inter-organisational learning, many of these opportunities may remain unrealised.

The findings also indicate that the inter-organisational learning which is acquired through inter-organisational relationships can serve as an enabling mechanism for internationalisation for SMEs. The formalisation of these inter-organisational relationships – i.e. the formation of joint-equity collaboration – could make it possible for these firms to integrate resources and capabilities to improve their international competitiveness and positioning. The potential for capability developments for internationalisation can be supported through the networks of firms with similar experiences or that are on a similar trajectory towards internationalisation.

Limitations and implications for further research

The findings of this study provide insights into some aspects of how organisations collaborate based on the prospect of international expansion and new business creation. However, it is important to tie these results to an understanding of the limitations of the proportionately small number of organisations involved in this

study. The propositions generated here represent the outcomes of inductive observations of these organisations over a period of time. As such, it is important to conclude with the caveat that these propositions require further elaboration. A limitation of the study therefore is that these propositions can only be interpreted within the specific market and organisational contexts of the firms studied, rather than in broad generalisations.

Further studies into the process activities of how SMEs form and manage inter-organisational relationships to enhance their competitiveness, and more longitudinal studies are needed in order to move towards a conceptually richer understanding of the formation of inter-organisational collaborations. For instance, research studies that incorporate the formation, integration, and dissolution of inter-organisational collaborations – that is, a more complete coverage of the total collaborative process from its formation to its dissolution and subsequent repercussions for its partners. The findings of such studies may provide a more comprehensive understanding of the ‘total’ process of inter-organisational collaborations.

An important contribution of this thesis is in furthering our understanding of how inter-organisational relationships succeed and fail in developing collective knowledge. It did not explore the process by which reflective and co-operative learning can be proactively and systematically encouraged. As Morrison and Mezentseff (1997) note, it is unrealistic to assume that all organisations initiating collaborations will automatically become a learning organisation because learning occurs and is encouraged differently throughout organisations.

The future success of inter-organisational collaborations is determined by the ability of organisations to learn. As concluded in the findings of this study, the benefits of inter-organisational relationships cannot be realised without deliberate and proactive management of the learning process and an understanding of the nature of inter-organisational learning. Further studies can extend this understanding by collecting larger sample of relevant case studies and developing an extensive coding instrument for operationalising the joint learning outcomes, prior related learning interactions and strategies of learning how to learn jointly during different phases of the collaborative processes.

A personal reflection

As I sit and rewrite the final submission of this thesis, I reflect on what I have learnt from this research journey, my experience of doing research, and the process of discoveries that led me to explore the issues emerged from this study. While we tend to view the outcomes and findings of research as naturally emerging from the data collection and analysis methods, they perhaps should be viewed as shaped by the choices made by researchers over the course of the research process. We need to reflect more on our own research practices in terms of the role we played in producing certain kinds of knowledge, and in how and why we came to the conclusions we did. To make unexamined meta-theoretical commitments and remain unaware of their origins would inevitably amount to an abdication of intellectual responsibility which results in poor research practices (Johnson and Duberley, 2003).

My own experience played a crucial role in choosing the topic and methodology of this study. The selection of this topic was a conscious act of experiencing a reflection

of myself and what I know through my previous academic experiences. My interest in how firms compete internationally began when I undertook a Masters degree in international marketing at Sheffield Hallam University between 1995 and 1996. Undergoing postgraduate studies has provided me with new challenges of learning new terminologies and ways of thinking in how a business may be managed and, more importantly, how it may seek to expand its business activities internationally. I was fascinated by the changes and dynamics of the international business environment, and I was intrigued to find out more about how businesses, through an in-depth understanding of cultural and language differences, could develop international marketing strategies to successfully expand their activities abroad.

Having graduated from a first degree in Accounting which had little to do with Marketing, I struggled almost throughout my Masters studies to make sense of terms such as 'environmental analysis', 'portfolio management', 'consultancy', 'value proposition', 'relationship marketing', 'internal marketing', 'strategic thinking', 'internationalisation process' and so on. I remember that I would spend hours during the weekends scrolling through the recommended textbooks and readings to 'cover lost grounds' and absorb as much new materials as possible. Further, not being an English native speaker means that my understanding, interpretation and ability to grasp the meanings of these terms might differ from those of native speakers.

In reflecting on the choices that I made on the matters of methodology, I have stated in chapter three that it is important for my fieldwork and ethnographic study to be read with my position clear from the outset so that my theoretical and methodological biases may be recognised.

There are two main influences which underpin the development of research methods i.e. positivism and naturalism. Although it is recognised that these paradigms are not exclusively separate or clearly defined, their influences can be identified in the action of all forms of social research. I would not want to dispute this claim yet my experience of doing research suggests that the balance between these two paradigms is not equally weighted. My experience of attempting to undertake social research suggests that positivism is central to 'mainstream' research and therefore has a greater influence on our understanding of the social world.

Looking back over the course of this project I became aware of two specific areas where this influence was at its strongest. First of all, the expectations of the mainstream academic community continually have a heavy influence on how research should be conducted and presented. This is especially true in the field of business and management studies. For example, based on his investigative survey of more than 110 SME internationalisation studies and their research methodologies between 1960 and 2001, Fillis (2001) notes that quantitative works dominate the literature in this field, although a number of works involve either some qualitative interpretation of data or endeavour to conceptualise and model using some qualitative input.

I have learnt that the tradition to follow mainstream research therefore still dominates our understanding of how to do and present research. This has had implications during the research of this study. There has been a continual struggle, in my own work, in determining between the use of positivist and naturalist methods. I was deeply aware that I had spent some considerably amount of my time over the

past six years having to justify my methods of research, not least to myself, in particular, in the ways in which I dealt with the experience of being a researcher. Being inexperienced in social research and undertaking fieldwork of this scale for the first time, I can now reflect back and make sense of some of the decisions that I made in the field. These personalised accounts raise many different issues associated with doing research especially in the problems posed by feelings of inadequacy I have throughout the research project. Doing this type of research for the first time brought to the forefront unexpected emotions and feelings that I had to contend with. To my knowledge, there appeared to be no obvious mechanism to deal with this problem and yet how a researcher deals with these issues could subsequently have implications for the methods used.

The desire to following the accurate research methods and ensuring 'methodological correctness' was a recurring concern especially during the early stages of this work. What was unknown to me at the time was that these feelings of uncertainty and inadequacy led to a tendency to structure my approach and methods in scientific terms. The positivist discourses therefore offered me a sense of structure and feelings of adequacy that I was a good researcher 'doing things right'. For instance, these feelings arose on entering the field, on asking questions, on observing and analysing, which I had to deal with without clear and specific instructions. My understanding of what research is, from reading and previous experience, continually pulled me towards the tradition of positivist methods. From my own field notes in the early stages I noted that I felt lost and unsure if I needed, for instance, any clearly laid out plans before entering the field for observation, of how I should be talking to people without any pre-structured questions in front of me and so on. Positivism, or at least

quantitative means, thus offered me a very much needed sense of security and control which is lacking in the methods associated with naturalism.

On reflection, it is perhaps important to note that while the continual 'invasion' of positivism was creating problems throughout the research process, it has brought 'blessings in disguise' in helping me to tackle some major issues of doing research and discoveries. Firstly, it was useful in the construction of my role as a researcher. During periods of uncertainty and insecurity, I found solace in using the traditional mainstream research designed to 'figure out my next move' and determine what and how best to collect the required data. Secondly, it provided me with legitimacy as a 'proper researcher' to tackle issues such as suspicion and access when I integrated the use of questionnaires and structured interviews as part of my data collection methods. Last but not least, in the analysis of my data it was an effective means in generating a focus on the actors' perception of their experiences in inter-organisational relationships.

Perhaps the greatest lesson that I have learnt from my journey of doing research is that it is not a simplistic process which can be constructed using a step-by-step procedure. In completing this study, I was confronted with the challenges of having to deal with a number of complex issues which ranged from conceptualising the research question, making methodological choices, undertaking fieldwork to data analysis and interpretation. In writing up this thesis, I have attempted to bring these issues to the fore so that the perspective and influence of the researcher on both the research process and the discoveries are made as clear as possible from start to finish.

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