

## **Successful strategic alliances with international partners: key issues for small- to medium-sized enterprises**

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**Abstract:** As international markets grow, many small- and medium-sized enterprises (SMEs) are finding lucrative opportunities to serve overseas consumers and source from overseas suppliers. The impact of information technology has made world-wide communication easier and more rapid. Some SMEs are literally 'born global', ready to do business on the internet. For many SMEs, this new commercial frontier offers both great promise and the challenge of determining: What are the key drivers of success in new and unknown international markets? This article focuses on this question from the perspective of strategic alliances in the global business environment. It develops a model to guide SMEs in managing overseas partners or allies that will 'fit' best with their company and their ambitions. The model provides SMEs with both strategic and tactical dimensions that are key international business arena. This article guides SMEs to 'get it right' when selecting allies in overseas markets.

**Keywords:** global market success; international strategic alliances; SMEs; small- to medium-sized enterprises; strategic and tactical congruence.

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## 1 Introduction

As domestic markets continue to mature, international markets are now attractive growth targets for many firms that previously had not considered overseas opportunities. More and more, small- to medium-sized enterprises (SMEs in the USA and elsewhere) which constitute significant employment and profit generating organisations are venturing into, or at least considering, international markets as future prospects (Moen and Servais, 2002; Thai and Chong, 2008). However, while larger firms with their considerable global experience and clout are adept at many of the requirements for entering overseas markets, entry for SMEs into new and complex environments is often perceived as risky if not daunting (Etemad, 2004; Kauser, 2007). Faced with differing political and legal climates, disparate social and cultural norms and diverse levels of technological acceptance and product

standards, international markets can represent confusing, if not intimidating business environments for the uninitiated (Karn oe, Kristensen and Houman, 1999). In such environments, many SMEs find themselves in need of guidance (Street and Cameron, 2007).

For these and other reasons, models and methods that offer SMEs the means by which seemingly enigmatic international markets can be approached and analysed have long been valued (Ohmae, 1989). One well-known strategy for expanding overseas calls for firms, to seek foreign market success by developing mutually beneficial relationships or partnerships with non-domestic counterparts, who are indigenous to the markets of promise (Ali 1991; Baradacco 1991; Barrett 1992). The guidance of knowledge transfer from both ends of an alliance is a key to any global spanning strategic alliance (Hall and Andriani, 2003).

## **2 Background of the research**

“Globalization is not simple the transfer of work to emerging economies. Globalization is an art of human relations that, like other arts, is premised on insights gleaned from study and from experience, and honed by continual practice, day in and day out, in the business suites of the world’s companies. Globalization concerns the exercise of management and leadership on a worldwide scale both at the strategic and tactical levels. Global business is by no means the sole preserve of large companies. For small- and medium-sized enterprises, too, it is neither a theory nor a discussion point, but a fact of life. If SMEs are to thrive and prosper in today’s globalized business environment they must, more so perhaps than larger firms, grasp the details of alliances both at the human relationship level and the strategic and tactical decision making levels” (Andrews and Tyson, 2004, pp.4–5).

As noted above, globalisation offers opportunities for all companies including SMEs. But globalisation requires SMEs to be particularly attuned the critical questions related to overseas partners and allies. There are many different forms of partnerships from which any organisation, including SMEs, seeking entry or expansion into foreign markets may choose. Export/import or supplier/buyer partnerships are often the choice of the less venturesome, more risk adverse organisations. Here, terms are offered under which one firm, typically the importer/buyer, has the exclusive right to distribute goods and/or services of the exporter/supplier. These agreements may be somewhat limiting as they tend to restrict the number of functions performed by either partner (e.g. product development, market research, promotion, pricing, etc.) and thus, they can dampen the opportunity for strategic synergies within the partnership. Another option involves trademark and/or licensing agreements where use of patent, copyrights, brands, logos or technologies is granted in exchange for monetary fees or royalties. These agreements, while at times highly successful (particularly for organisations with limited investment capital or those entering developing markets where risks are perceived to be too high to warrant significant direct investment), tend to also be somewhat limiting because they foster only a one-sided exchange of information, and thus again dampen long-term exploitation of each partners’ comparative strengths.

Still another option, 'joint ventures', involves firms entering into relationships with the objective of blending their respective organisations around specific projects. This option typically requires a significant initial (and often ongoing) capital investment, collective decision-making (both strategic and tactical) and shared managerial control over all operations. However, the initial good intentions of joint venture partners can often lead to protracted negotiations and strained trusts. Still another option, similar to, yet distinct from joint ventures is the 'strategic alliance' which has been touted for many reasons including its ability to help firms cut costs, accelerate their product's speed to market, build flexibility, monitor and neutralise competitors, and reduce risks by enabling firms to compete for business without committing enormous capital resources. Strategic alliances give firms access to the capabilities of other organisations, but require less loss of individual identity than typical joint ventures because there is no complete integration of the two organisations engaged in such alliances. Instead, a strategic alliance seeks to blend each partner's strengths such that all parties benefit (for a comprehensive review of the full array of overseas partnership options and their pros and cons see – Hoffmann and Schlosser (2001) and Contractor and Ra (2002)).

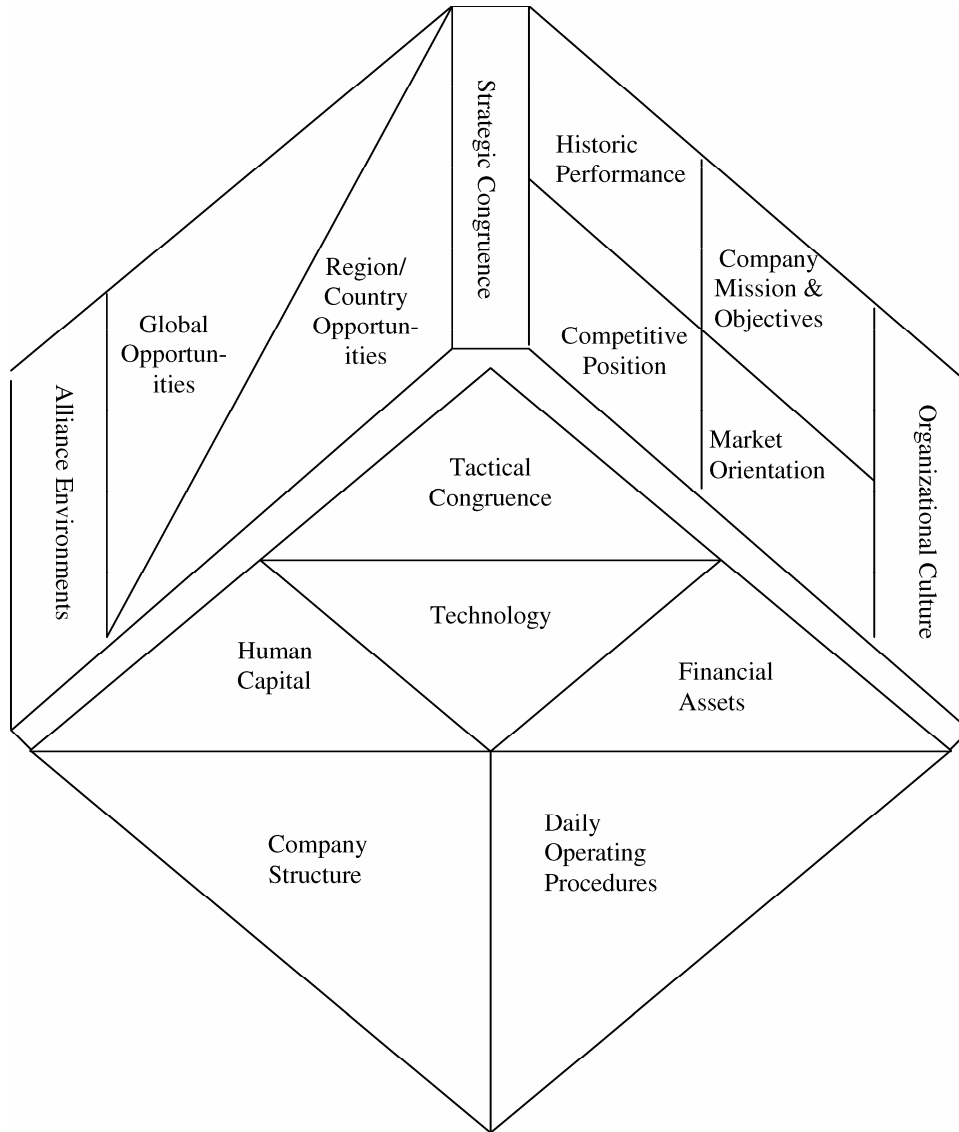
### **3 Research objectives and methodology**

No matter the type of option contemplated, once a firm has decided to enter into an international partnership a set of complex decisions must be confronted. Successful partnerships require special skills, considerations and efforts in order to assure the necessary cooperation needed to harness the respective potency of each partner (Whipple and Frankel, 2001). While work in the general area of partnership management and control has a respectable history, particularly for larger firms (Tomlinson, 1970; Gabarro, 1987; Day, 1995), there remains a need for a parsimonious yet comprehensive model designed to systematically aid SMEs in their search for potential international partners (Thorne and Wright, 2004). What dimensions should an SME investigate in order to improve their chance of a good 'fit' between itself and a promising overseas ally? What are the critical issues underlying each dimension and how should specific criteria be weighted when screening potential partners? This article attempts to address such questions from the perspective of strategic alliances for firms that have marginal experience with overseas partners. More specifically, the progressive decision-making for strategic alliances model (PRODEMSTA; Figure 1) is proposed and discussed as a method for examining overseas alliance feasibility for SMEs. Implications for practitioners and future research are also presented to stimulate further thought in this area.

The literature dealing with global partnerships and opportunities for SME's spans fields of study and involves a variety of approaches. The methodology used in this article includes integrating the various approaches and findings into a comprehensive model to

aid understanding. Therefore, an extensive literature survey was conducted that gathered the findings of numerous authors. Each finding was evaluated in relation to others to support a conceptual framework.

**Figure 1** Progressive decision-making for strategic alliances model: a method for determining international strategic alliance feasibility for small- and medium-sized firms



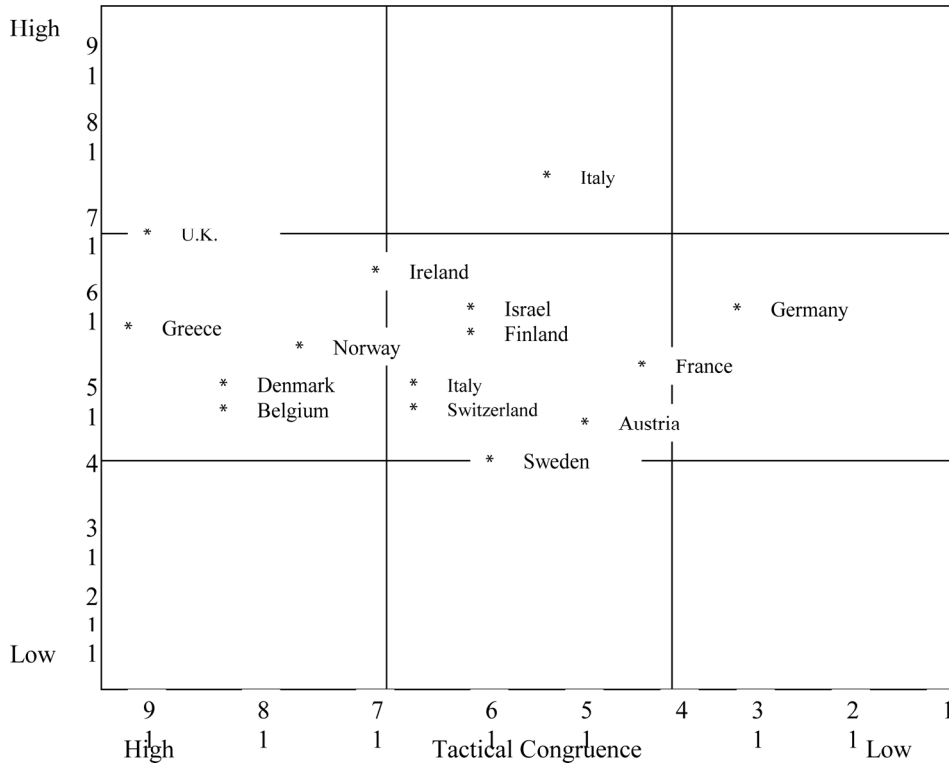
#### 4 Progressive decision-making for strategic alliances model

Figure 1 depicts the model developed to guide the discussion in this article. The model draws upon a wealth of past works (Tomlinson, 1970; Harrell and Kiefer, 1981; Gabarro, 1987; Baradacco, 1991; Barrett 1992; Day, 1995; Moen and Servais, 2002; Thorne and Wright, 2004; Robson and Katsikeas, 2005; Marino, et al., 2008), and attempts to bring a comprehensive perspective from previous research to aid SMEs in the screening and selection of overseas strategic alliance partners. The PRODEMSTA model seeks to provide guidelines for smaller- and medium-sized firms, to systematically think through their international alliance options. Through a discussion of specific strategic and tactical dimensions, the model poses a series of issues related to examining the compatibility of any SME with that of an overseas counterpart. PRODEMSTRA is systematic in that it seeks to ‘progressively’ build a logical sequence of considerations related to analysing the feasibility of one alliance option in light of others. All dimensions presented in the model require managerial assessment and evaluation, and lead ultimately to a graphic representation of results that clearly define the relative positions of alliance options (see Figures 2 and 3 – discussed later). We begin with an overview of the model primary dimensions.

**Figure 2** Plotting strategic alliance options: general guidelines to specific cells

		Strategic Congruence	
High	Invest/Grow		Consider if Tactical Congruence Can Be Improved
		Selectivity Strategies	
	Consider if Strategic Congruence Can Be Improved		Discontinue Consideration/ Divest
Low			
		High	Low
		Tactical Congruence	

**Figure 3** Plotting country specific strategic alliance options  
Strategic Congruence



#### 4.1 Strategic congruence

When investigating what could potentially be a long-term, international relationship, SMEs are advised to first examine a set of strategic dimensions that help grasp the global, regional and country specific ‘environments’ where potential allies exist and that affect the way potential partners operate (Street and Cameron, 2007). This is then followed by an examination of the ‘organisational cultures’ of potential allies (again see Figure 1). The overall objective is to identify the degree to which two (or more) potential partners have ‘strategic congruence’. The underlying premise is that any lasting relationship requires a congruence or ‘fit’ of business opportunities, along with compatible missions, values and goals. The PRODEMSTA model defines these dimensions as ‘strategic’ because of they are associated with the realities of the environments in which an alliance will exist and with the long-term vision and long-range plans of potential allies.

##### 4.1.1 Alliance environments

As shown in Figure 1, strategic congruence is assessed along two sub-dimensions, namely, alliance environments (entailing global opportunities and region/country opportunities) and organisational culture (entailing company mission and objectives,

historical performance, competitive position and market orientation). Alliance environments are presented first because SMEs are advised to examine the larger macro-surroundings (global, regional and country specific) in which an alliance will exist, before proceeding to the micro-firm level analysis (labelled 'organisational culture') to assess the compatibility of specific allies (Rialp, Rialp and Knight, 2005).

#### *4.1.2 Global opportunities*

When considering overseas alliance options, SMEs should identify 'global opportunities' that may exist for growing their business. What are the macro-level trends, possibilities and challenges that exist in overseas markets and overseas sources of supply? Since the advent of 'globalisation' (considered by many to be represented by the fall of the Berlin Wall in 1989 – see Friedman, 2005), the number of individuals engaged in some fashion with international commerce has expanded from around one billion to somewhere between three and four billion (Bornstein, 2004). Today, 80% of consumers, world-wide, live outside the 'developed world' and 62% of all workers are located in the 'developing' or 'underdeveloped world'. East Asia and particularly China is considered the most robust manufacturer in the world; South Asia and particularly India has grown as a premier back-office, information systems, global data-processing powerhouse in the world; and Latin America and particularly Brazil is considered the next 'bread basket' and major supplier of world food (Rosensweig, 1998; Czinkota, Ronkainen and Donath, 2004). Over the last 30 years, all these regions have opened, to one degree or another, their markets to global trade and competition and have witnessed a significant growth in their middle-classes and commercial activities. The critical issue here for an SME considering an overseas alliance is – how clear is our understanding of global opportunities (and challenges) brought on by these trends in the world as a whole and in the regions noted, and what do these trends mean to our company's strategic growth, if not overall survival? Knowing the world and its regions macro-level realities is the first step in finding good overseas partners (Luo, 2007).

#### *4.1.3 Region/country opportunities*

Once this larger environment of global business has been grasped, firms seeking an overseas presence should next examine specific areas ('region or country opportunities') of promise in more detail. This can be difficult for SMEs, particularly those with limited international experience, due to the complexities and turbulence that is often seen in overseas markets (Hitt, et al., 2004). An understandable tendency of SMEs is to only look at international markets or sourcing opportunities that are geographically or culturally near them (Buckley and Casson, 1996) or to embrace opportunities that represent unsolicited inquiries for overseas (Cullen, Johnson and Sakano, 2000). However, as noted globalisation, over the last fifteen-plus years has lifted billions of people out of abject poverty and created significant numbers of middle-class consumers and business buyers in markets where once none existed, and it has also created enormous opportunities for sourcing (Robson and Katsikeas, 2005). Thus, *ad-hoc* analysis or the embrace of 'serendipitous' international solicitations may result in spotty results or missed opportunities (Fletcher, 2004).

Analysis of regional/country options that span a broad range of markets can help SMEs focus their priorities and weigh the risks that inherently come with overseas



alliances (Wood and Robertson, 2000). A number of strategic considerations should guide such analysis including whether specific regions or specific countries

- 1 Have the necessary demand or sourcing facilities for an SME's products or services (i.e. general market potential considerations including level of market development, product/service adaptation requirements, general level of competition, and sourcing quality and reliability).
- 2 Are open to an SME's business at all (i.e. legal issues including tariffs/taxes, non-tariff barriers, patent/copyright/trademark protection).
- 3 Are going to remain open to an SME's business (i.e. political issues including stability, diplomatic relations and internal policies toward private business of foreign governments).
- 4 Are conducive to an SME's entry (i.e. infrastructure issues including availability and sophistication of manufacturing, assemble, and distribution and communication technologies).
- 5 Are evolving and thus have long-term potential (i.e. economic issues related to overall development and performance of a foreign market and levels of general production and consumption in a foreign market).
- 6 Are internally harmonious (i.e. cultural issues including general level of cultural unity and differences in a foreign market).

The overriding objective of undertaking this analysis is to narrow down world-regions or countries to those that are most attractive to an SME in light of its specific competitive strengths (Harrel and Keifer, 1981, Wood and Robertson, 2000). Once the global, regional and country examination is complete, the stage is set for more detailed analysis focusing on the 'organisational culture' of potential allies.

#### *4.1.4 Organisational culture*

Analysis of 'organisational culture' (the second sub-dimension of strategic congruence – see Figure 1) assumes that within an identified region or country, the SME has identified a number of candidate allies. Such candidates could arrive on an SME's list of possible partners from many sources (see Aharoni, 1999) and could represent numerous options (market entry partners, manufacturing/assemble partners, etc.). The goal at this stage of analysis is to systematically select the ally or allies with the best strategic fit relative to the SME's long-term plans.

In many respects, organisational culture defines the personality of a company. Organisational culture reflects what a firm believes in, values, and is willing to sacrifice in order to achieve its goals (Hunt, Wood and Chonko, 1989). In this context, examination of a potential allies' organisational culture can provide a sense for where it have been, where it currently is, where it plans to be and if it can realistically get there. It also allows an SME to assess the degree to which a potent partner or partners are strategically compatible. Such compatibility is not a one-way street. Often organisations are required to make dramatic changes in their own cultures and subsequent policies if an alliance is to be successful and as such SMEs, particularly those uninitiated in the ways of foreign counterparts, need to assess their understanding of their own culture (as well as

a potential partner's) and their willingness to change, if such is required to blend successfully in an international alliance (Baradacco, 1991).

#### *4.1.4.1 Company mission and objectives*

Organisational culture in the PRODEMSTRA model begins with analysis of potential partners 'mission and objectives' which reflect a firm's ideology. Objectives are typically derived from mission statements that specify a firm's shared values, principles and purpose for existing. Although many SMEs may not have articulated a mission statement themselves, it is important for them to assess the underlying standards, ethics and beliefs that a potential overseas partner holds dear and compare them to their own. For example, organisations may differ in terms of their work ethic, their moral values, their management beliefs and the degree to which they are dogmatic or open to other standards.

A careful examination of a potential allies stated mission and objectives can provide understanding into the nature and extent the planning undertaking by them. It can lend insight into their degree of professionalism. Clearly articulated missions and objectives indicate the degree to which potential partners have thought about their business, attend to detail, focus on perceived competencies, embrace diversification, have entrepreneurial tendencies and are long-run vs. short-run in orientation. The critical issues here for an SME seeking an overseas alliance include – how articulate and passionate are potential partners with respect to their mission and values, how well does my company's 'reason for being' match up with that of potential partners and how compatible are our professional standards? Strategic incongruence in these areas can derail an alliance from the beginning.

#### *4.1.4.2 Historic performance*

'Historical' examination of potential partners' 'performance' is the next factor to access. While missions and objectives provide a feel for compatibility of purpose, passion and professionalism between potential allies; historical performance provides evidence of such. In examining this component of strategic congruence, both quantitative and qualitative aspects of past performance should be considered. Quantitative factors, such as historic production capacity, profitability, sales volume, market share, cash flow, capital reserves, employee turnover rates and related trends help delineate the future possibilities of a partner. Qualitative factors, such as embrace and successful use of technology, research and development achievements, market entry methods, number of and performance in past alliances and management policies (for example, policies related to hiring, and firing and promotions), help delineate an organisation's embedded culture (e.g. collective-authoritarian, aggressive-passive; leader-follower, traditional-modern) and the balance that exists within a company between risk aversion and risk taking. Like many of the dimensions proposed in the PRODEMSTRA model, the degree to which past performance is congruent between potential allies may be viewed as positive or negative depending on intentions. An SME seeking to energise a risk adverse culture (one that has shied away from overseas markets) may gravitate towards a partner with a history of 'going out on a limb'. On the other hand, a company seeking a status quo approach to business practices and new international initiatives might seek out a partner with a history that mirrors its own. The critical issues here for an SME include – does a potential ally's

historical performance match its stated mission and objectives, and does such performance lend itself to our company's objectives overseas?

#### *4.1.4.3 Competitive position*

Strategic congruence from the organisational culture perspective should next be assessed through 'competitive position' which addresses a series of issues including number of competitors in a given market, a potential partner's share and growth rate in markets of interest and the efficiency/effectiveness of a potential partner's marketing, manufacturing, and distribution and communications. Competitiveness reflects contribution to margin on products and services, limitations or restrictions to business expansion, market power (particularly in channels of distribution) and future potential for all of these. Assessment of such factors lends insight into an ally's reputation and ability to differentiate his or her operations vis-à-vis competitors in a given market, market niche or industry. An ally's competitive position helps in the understanding of how their consumers or buyers perceive them, and how they perceive the substitutes available to them in a given market. Care should be given to analyse these factors for local, national, regional or even global influence in which a strategic partner may be operating or considering operating. The critical issue here is – will my ally's competitive position enhance or hinder my company's ability to achieve its goals and succeed in overseas markets?

#### *4.1.4.4 Market orientation*

The ultimate factor to be examined when assessing a potential ally's organisational culture for strategic congruence is 'market orientation'. Common wisdom holds that any firm that increases its market orientation should improve its market performance. Indeed, this claim has been put forth by scholars and practitioners for more than 40 years (Levitt, 1960). Market orientation is considered to be at the very heart of successful, modern marketing strategy (Jaworski and Kohli, 1993). It represents an amalgam of a firm's mission and objectives, historic performance, competitive position and is the sub-dimension of organisation culture that reflects a desire to provide superior value to customers, buyers, partners and associates. It reflects the degree to which top management emphasises and is committed to improve performance at all levels. Market orientation has been depicted as the drive of top management to build intra-firm connectedness (a culture) that sustains higher quality, and continually increases quality, and tie the realisation of such directly to the reward systems within their company (Narver and Slater, 1990; Jaworski and Kohli, 1993). It entails the degree to which a firm focuses upon fulfilling needs, as opposed to sales, products or technologies.

The development of a market orientation within any firm, while primarily affected by top managements' commitment to such, can also be affected by the larger environment in which a potential ally operates. For example, market orientation has been associated with the level of integration, the degree of regulations and public sector oversight, protectionist tendencies, level of national identity, language differences, local business traditions and local approach to marketing education within the regions served by an organisation. The central issues here are – does my potential ally's organisational culture reflect an enthusiasm for creating value and improving upon such value, and does this passion exist throughout their organisation?

## *4.2 Tactical congruence*

Strategic congruence analysis requires an organisation to assess the alliance environment as a whole (global, regional and country opportunities) and to assess the cultural compatibility or 'fit' of potential allies from the perspective of their mission, objectives, historical performance, competitive position and market orientation. These assessments are designed to understand the long-term potential of potential partnerships. Assessment of tactical congruence is designed to understand the short-term, day-to-day workings of potential partnerships. If a potential partner or partners meet, or exceed the level of strategic congruence defined as acceptable by a firm's decision-makers, then those potential partners should be subjected to tactical congruence analysis (in some cases, potential allies that fall short on strategic congruence level, may also be examined for tactical congruence depending on the time-period in which an alliance might exist).

Tactical components of the PRODEMSTRA model (Figure 1) include those resources (human, technological and financial) and policies/practices (company structure and daily operating procedures) that determine the degree to which an ongoing, day-by-day compatibility between allies is possible. Analysis of these dimensions is undertaken to assess the 'tactical congruence' between the two or more partners with respect to their operational assets.

### *4.2.1 Human capital*

The first variable to be examined for tactical congruence focuses on the human element, or the intellectual and skill capacities of those who will be managing and directing an alliance once it is established. In order for two organisations to learn, create and grow by strengthening specialised capabilities, personnel from each must work closely and smoothly together and their respective human capital should be on a 'life-long' learning track (Baradacco, 1991). Therefore the experience, knowledge, flexibility, adaptability, language fluency, cultural awareness and commitment that people on each side of an alliance bring to the partnership table are very important. If a potential partner's human assets are rich and nurtured (deep in number, broad in talent and continually being upgraded), this may compensate for any disparities or gaps that may exist in other tactical variables noted in the model. However, any SME who is new or somewhat novice in the international arena should be cautious when forming an alliance with a firm whose only tactical strength is its human resource pool. Like strategic considerations, there must be a balance of all tactical variables note in Figure 1. The critical issues here from an SME include – does a potential ally have the human capital that understands and can respond to the marketplace, the channels of distribution, and the sales and negotiating methods in the overseas arena? Do they know the competition, exude customer service and have experience in overall business management methods? Can they do the work that is needed on a day-to-day basis and are their skills being upgraded to do the work that will be needed tomorrow?

### *4.2.2 Technology*

Technology assets must also be identified in the pursuit of a viable ally. Human capital without the backup of technology will struggle to achieve success in today's global business environment. SMEs, whose travel budget may not be as significant as those of

larger firms, may be very dependent on technology to communicate (plan, manage and monitor) with an overseas ally (Zahra, Matherne and Carleton, 2003). As such, there must be compatible and current technology available and operational between two or more firms in an international alliance (at a minimum e-mail, web sites, telephone and fax related to internal and external communication should be in place). Depending on the nature of the alliance, this component of tactical congruence should also focus on the degree of similarity in technologies related areas, such as research and development, production (manufacturing and/or assembly), infrastructure, marketing, computers and information systems technology related to data management, reporting and tactical responses to everyday events. The rate at which a potential ally keeps up with newly developed technologies may also be important, again depending on the industry and market in which the alliance will operate. The critical issues here include – do my allies have access to the necessary technology required for business in the overseas market of interest, and are they embracing technology in the critical areas of their operations?

#### *4.2.3 Financial assets*

Tactical congruence with respect to the financial assets of a potential overseas alliance represents the degree which each partner has the ‘cash flow’ ability to remain in business on a day-to-day basis, and meet the monetary requirements of a growing operation. Financial assets of potential allies can initially be examined on a general quantitative basis with an assessment of their financial reports (income statements, balance sheets, cash flow – retained earnings/equity leverage, etc.). An ally’s return of investments, financial ratios, insurance availability, credit ratings, government loans or other outstanding debt and overall profitability should also be investigated. For any SME, special care is advised in evaluating a potential ally’s financial reports because very often accounting practices and reporting requirements vary from country to country and may, in some cultures, be distorted in order to put forth a more favourable financial profile. For this reason, full use of due-diligence procedures, including the speaking directly with a potential ally’s suppliers, buyers, bankers, and other partners and associates to gain insights in the true financial ‘character’ (both the bottom quantitative line and the qualitative ‘trustworthiness’) is recommended. The critical issues here are – do my potential allies have the financial strength to meet the short-term requirements of our partnership and are they financially trustworthy?

#### *4.2.4 Company structure – daily operating procedures*

Organisational structure (the final dimension proposed in the tactical congruence side of the model) like other variables may be strength or a weakness when considering an international alliance. The key here is to assess the degree to which a potential ally is flexible or ridged in its established hierarchy and if it is capable of responding to opportunities and challenges in a timely manner due to its level of delegation of decision-making power. The best organisations, the most successful in today’s globalised, fast paced business environment have moved from a ‘command and control’ structure to a ‘command and connect’ structure, one in which shared knowledge is the key to superior results and where individuals at all levels in an organisation are encouraged and empowered to make tactical decisions in a timely manner (Friedman, 2005). The critical

issues here are – do my potential allies have an organisations structure and daily operating procedure in place to respond quickly to market demands and competitive moves?

## **5 Managerial implications**

No model can claim to capture all aspects of every alliance or grasp every critical issue that an SME (or any firm) would or could encounter when entering into an overseas partnership. However, no matter what model is offered as a method to begin to think about alliance feasibility or promise, a systematic approach should be embraced. Appendix A offers examples of SME alliances whose platforms for success are captured by the PRODEMSTRA model.

Indeed, the PRODEMSTRA model is offered in the spirit of these examples. In using it, SME management, whether entering the international arena for the first time or wanting to improve their existing alliances, should examine those dimensions and sub-dimensions of any and all alliances that will influence both their long-term (strategic) and short-term (tactical) needs. Likewise, in all cases, users of any model proposed to assess international alliances should approach the task from both a qualitative standpoint (asking – how do each of the critical issues, when answered, relate to our ‘intuitive’ sense concerning the viability and promise of an alliance) and from a quantitative standpoint. Two considerations are involved here. The first, after deciding which of a model’s dimensions are most relevant to the alliance at hand, is articulating exactly how such dimensions will be quantified. How will they be measured (what metric will be used)? The second is – how will the measured dimensions (both strategic and tactical) be weighted with respect to their relative importance when assessing potential allies.

The end result of this kind of exercise should be a graphic depiction of alliance options along a 2D matrix. Figure 2 depicts the general guidelines for approaching any alliance that falls within a specific cell in the matrix. Figure 3 depicts an example of a plot of country specific strategic alliance options. Within each country noted a specific ally or set of allies would have been identified and thus both the country and embedded allies are arrayed on the high–low continuum of strategic and tactical congruence.

The conceptual simplicity of presenting the combination of strategic and tactical congruence positions provides international planners with a parsimonious depiction of the options, and guidelines related to such options that they face. Potential alliances that fall within the invest/grow cell call for SME’s commitment to a strong partnership. Those falling into the discontinue consideration/divest cell call for SMEs to eliminate such options from further deliberation or in the case where an existing alliance fall within this cell, to harvest what profits still remain possible in the partnership and withdraw from the relationship. Alliance options that fall in either the ‘high strategic congruence/low tactical congruence’ or ‘low strategic congruence/high tactical congruence’ cells should not be completely abandoned but should be monitored for future changes in either the long-term outlook of a partner’s environment, or the short-term, day-to-day situation of that exists within a partner’s operations. Finally, those falling into the selectivity strategy cell call for SMEs consider moving forward with a potential alliance, or to maintain the current alliances with such partners if no clearly superior options exist.

## 6 Conclusions

The PRODEMSTRA model has been developed to stimulate future research in the area of SME's international alliances. While many ideas can be put forth, perhaps three future research suggestions capture a host of possibilities best. First, does the model truly include those dimensions that are most critical to SME alliance success in the international arena? Second, what combinations of congruent strategic and tactical dimensions are most highly associated with SME success in international markets? Finally, do such 'successful' combinations of strategic and tactical dimensions vary by type of alliance (research and development, assemble, manufacturing, marketing, etc.) and by type of industry (consumer-focused vs., business-focused, goods vs. services, etc.)? These issues remain salient to today's SME in the global business arena and research related to such is and has been strongly recommended (Mort and Weerawandena, 2006).

To the degree that the PRODEMSTRA model stimulates thought, aids SME managers in tracking strategic and tactical conditions and related changes in potential and existing allies, and provides grounds for future research, will determine if it truly offers value to this important area of international business.

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## Appendix A

### *Strategic alliance examples*

- 1 *ProMetic and blue blood of Taiwan form strategic alliance to develop plasma-derived drugs for Taiwan and Southeast Asian markets.* ProMetic BioTherapeutics, Inc., a subsidiary of ProMetic Life Sciences Inc. (TSX: PLI) ('ProMetic') and Blue Blood Biotech Corporation ('Blue Blood') formed a strategic alliance to develop drugs derived from human plasma utilising ProMetic's proprietary manufacturing process. The alliance between the two companies will initially target hyperimmune Cytomegalovirus, as well as two other high value therapeutics with Taiwan and Southeast Asia as the primary markets. This represents a market opportunity exceeding C\$50 million in annual sales. Although the financial details of the alliance were not disclosed, ProMetic and Blue Blood attribute the opportunity for their alliance to the globalised business environment in general and the related regional 'Asian' opportunities in particular that have arisen over the last decade (see – <http://br.sys-con.com/read/386936.htm>).
- 2 *Allurent and accretive commerce form strategic alliance to offer merchants a next generation shopping experience: alliance adds rich interaction capabilities to end-to-end outsourced e-commerce solution.* Accretive's e-commerce solution empowers merchants to better control their brand by offering the best platform, tools and services available with a specific focus upon world-class merchandising and personalisation capabilities. Allurent Rich Commerce Suite is a set of software modules that consist of world-class consumer-business interaction tools that empower retailers to adjust to their customers' information requirements as needed individually. The alliance between Accretive e-commerce and Allurent gives merchants access to Accretive's leading e-commerce solution combined with Allurent's rich shopping and merchandise functionality. The combined tools will further assist merchants improve customer satisfaction, increase conversion rates and lower shopping cart abandonment. Both companies' market orientation, historical performance and congruent missions appear to bode well for this alliance that will open up new markets for both around the world (see – <http://www.emediawire.com/releases/2007/6/emw531165.htm>).
- 3 *Schneider logistics hooks up with Canuck consultant.* Dan Goodwill and Associates Inc., a Canadian transportation consulting firm, and Schneider Logistics, the USA truckload carrier have formed a strategic alliance to provide transportation advisory services to shippers throughout North America. Services offered by the alliance include benchmark and market intelligence, mode and carrier selection, transportation audits, identification and implementation of the best practices in freight transportation, freight rate bidding solutions, route/rate management, freight payment/audit, claims management, analytics and supply chain engineering. Besides the obvious strategic opportunities apparent in this alliance due to regional opportunities (in North America and the NAFTA markets), tactical advantages bode well for the two allies with respect to technology, human capital and their ability to operate seamlessly on a daily basis (see – <http://www.todaystrucking.com/news.cfm?intDocID=18113>).

- 4 *PRO TECHnology forms strategic alliance with applied digital media services – UAE.* PRO TECHnology, a leading provider of broadcast and communication solutions, has announced a strategic partnership with applied digital media services (ADMS), the first and only authorised digital media training and testing centre to offer certified courses in the Middle East. The partnership will bring together PRO TECHnology's specialised range of professional audio and video systems and the expertise of the ADMS training and coaching professionals to provide comprehensive digital media training to editors, graphic artists, sound designers, web designers and videographers. Global opportunities due to Middle East oil wealth, and the strong competitive position of both companies in their respective market niches, portend for a positive alliance. Likewise, the structures of both companies (each allowing for specialisation of specific functions) appear to 'fit' tactically very well (see – [http://www.menafn.com/qn\\_news\\_story\\_s.asp?StoryId=1093156107](http://www.menafn.com/qn_news_story_s.asp?StoryId=1093156107)).
- 5 *Cross Atlantic commodities forms strategic alliance with leading European import/export firm.* Cross Atlantic Commodities, Inc. (CXAC.OB) the USA based emerging, multi-national importer and distributor of quality food items and specialty consumer products, has taken a major step in securing general merchandise products from the Peoples Republic of China. The Company announced today that it has formed a strategic alliance with a 94-year-old Copenhagen, Denmark-based company that has relationships with more than 5,000 Chinese manufacturing firms. This alliance should allow for significant growth of both companies (and their Chinese partners) as both strategic congruence (strong competitive positions, well fitted objectives) and tactical congruence (need for specialised human capital offered by all three entities) are apparent (see – [http://www.earthtimes.org/articles/show/news\\_press\\_release,130057.shtml](http://www.earthtimes.org/articles/show/news_press_release,130057.shtml)).
- 6 *Quickcomm expands its presence in the UK by forging a strategic alliance with BTS holdings PLC, UK's largest call accounting company. Deal Enables Quickcomm and BTS to expand services to its UK, US customers, respectively.* Quickcomm Software Solutions, a provider of global telecommunications expense management (TEM) software and services, today announced an exclusive strategic alliance with BTS Holdings PLC, a UK-based call accounting company, to jointly market and provide TEM services to existing and prospective customers on both sides of the Atlantic. The alliance enables Quickcomm to further expand its presence in the UK by utilising BTS' market leading presence and expertise in call accounting. Both allies indicated that congruent missions, regional opportunities, synergistic human capital and mutually strong financial positions motive the formation of the alliance (see – <http://sev.pnewswire.com/computer-electronics/20070626/NYTU03126062007-1.html>).
- 7 *FamilyMart and NTT DoCoMo forge strategic alliance.* FamilyMart (an operator of convenience stores in Japan, Taiwan, Korean, Thailand, China and the USA) will start accepting mobile credit via DoCoMo's iD platform (which operates in Asia, the USA and Europe), enabling consumers to make payments simply by waving their phones over a reader. The two companies expect to harness mutually beneficial strengths, including FamilyMart's global set of convenience stores and expertise in retail store operations, and DoCoMo's expertise in Osafu-Keitai wallet services,

as well as mobile credit services via the iD platform. Both companies indicated that their history, operations, management philosophy and strong financial positions should carry their alliance to success over many years (see – <http://internetcommunications.tmcnet.com/topics/broadband-mobile/articles/7416-familymart-ntt-docomo-forge-strategic-alliance.htm>).