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An investigation into the use of collaborative ventures in the internationalization of high performing Canadian SMEs

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Summary This paper provides data involving the internationalization strategies of high performing Canadian small and medium-sized enterprises (SMEs) with a focus on issues associated with the management of collaborative ventures. Interviews with managers of award winning businesses suggest that a number of factors can be associated with the management of collaborative ventures in overseas markets. While common characteristics were identified and a model was proposed from the data, the findings nevertheless suggest that the effective performance of collaborative ventures is contingent on the circumstances facing particular management teams, highlighting the complexity of managerial decision making. The study uncovered behaviour contributing to collaborative ventures' success, that is both planned and unplanned. More specifically, vision and entrepreneurial managerial style should be considered as variables contributing to the performance of collaborative ventures. The findings suggest that the performance measures of such ventures should not only include both process and outcome measures tailored to partners' objectives but also include each company's commitment in the venture.

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Introduction

This paper contributes to the growing body of literature in the field of international entrepreneurship. Although there is no single agreed definition of international entrepreneur-

ship, McDougall and Oviatt (2000) view as "a combination of innovative, proactive and risk-seeking behaviour that crosses national borders and is intended to create value in organizations". This definition was updated by McDougall and Oviatt (2005) as "the discovery, enactment, evaluation and exploitation of opportunities across national borders to create future goods and services". Irrespective of the definition that is adopted, it is widely agreed that the international entrepreneurship broadly involves the identification and exploitation of overseas opportunities and within this,

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the contribution of this paper is to investigate the internationalization of high performing Canadian firms with a focus on issues associated with the management of collaborative ventures. The specific contribution involves the in-depth focus of the study into both planned and unplanned managerial behaviour that contrasts with some earlier studies involving a more planned and rationale internationalization process. Strategic choices are considered in this study in respect of the antecedents of successful collaborative ventures.

While the previous studies have long since been undertaken on the behaviour of larger firms in overseas markets, the growing body of the literature in international entrepreneurship has increasingly argued that the success of smaller firms also often depends on their ability to sustain a competitive advantage in foreign markets. Increased competition in these markets, along with the advances in technology that enhance information transparency and accelerate product obsolescence fuel this need while increasing risks (Bell et al., 2004). Resource constraints for smaller companies often make it impossible to bear the high costs of R&D to develop innovative products and of foreign market penetration and expansion suggesting collaborative ventures are important (Jones, 1999; Crick and Jones, 2000).

A number of explanations have been proposed to account for firms' internationalization processes. For example, the resource-based view of the firm has been shown to be important since the managers leverage resource advantages and minimise transaction costs to obtain a competitive advantage overseas (Westhead et al., 2001). The contingency approach has also been found to have an important influence as the managers react to the opportunities and barriers posed by changing environmental circumstances (Ibeh, 2003). A good deal of the existing literature on collaborative ventures have discussed the merits of a network perspective and informal ties (Bell, 1995; Coviello and Munro, 1995; Coviello and Munro, 1997; McDougall et al., 1994); this paper focuses on the formal ties. Recent literature in the growing domain of international entrepreneurship has accepted various research themes in explaining firms' internationalization, but suggested that the merits of competing theories must also be considered. Such a consideration has led to calls for a 'holistic' approach to be taken (Bell et al., 2004; Jones and Coviello, 2005), i.e. looking at the aspects of competing theories to contribute to the understanding of firms' internationalization strategies.

Much has been written on internationalization through collaborative ventures although no single agreed definition exists. In the context of this study, collaborative ventures are seen as arrangements with other firms to complement their core competencies and/or to increase their competitive advantages in the markets they serve or in those they aspire to serve (Moreau, 2003). In forming these ventures, while the management team's objective remains the bottom line and the creation of value for stakeholders, the strategic focus shifts away from decisions about which market to penetrate and greater focus is on the development and management of collaborative ventures. As Johanson and Vahlne (2003, p. 93) stated:

There is nothing outside the relationships. Internationalization is, in this network world, nothing but the gen-

eral expansion of the business firm which is in no way affected by country borders. All barriers are associated with relationship establishment and development.

These collaborative ventures may be in the form of vertical or horizontal alliances or with firms from different industry sectors. Vertical alliances occur throughout the value chain with upstream and downstream partners, the horizontal ones involve relationships with competitors and collaboration can also occur with firms across industries (Dana et al., 2003).

Despite the abundant literature on alliances, relatively little has been undertaken in an in-depth sense to investigate the practices of high performing internationalizing SMEs, and more specifically their establishment, management and evaluation of collaborative ventures. The literature on the international entrepreneurship emphasizes the use of formal and informal relationships to penetrate and expand into foreign markets and mainly deals with channel choice and relationships (Coviello and Munro, 1995; Coviello and Munro, 1997). Nevertheless, a discussion on the use of networks would also involve informal ties outside of the formal ties in the alliances in this study and therefore a more detailed discussion on the networking literature is outside the scope of this study. Studies on strategic alliances describe and explain the process of establishing, managing and evaluating these relationships (Glaister, 1996), while the entrepreneurship literature stresses the importance of networks for entrepreneurs and talks in general about the density of those networks and linkages with other clusters (Greve, 1995). Nevertheless, it is re-emphasised that the networking literature and informal relationships are outside the scope of this study.

The need to collaborate and to achieve an international presence has become a necessity, especially for SMEs, but the challenges encountered with such strategies are high as it is not uncommon to see high failure rates (Dacin et al., 1997; Duysters et al., 1999; Spekman et al., 1996). The objective of this research is to explore the usage, process and outcomes of various types of collaborative ventures among high performing Canadian internationalizing firms in business to business markets.

Two objectives form the basis of this study and while it might arguably be expected that the first objective may have an effect on the second, they are considered separately in this study to avoid any implied causation; something difficult to test for in small scale studies of this nature. More specifically, the aims of the study are to

1. determine the management teams' motivations to enter into collaborative ventures and their choice of partners;
2. evaluate the key factors for collaborative venture success.

The paper proceeds with a review of the literature on collaborative ventures in the context of small firms and despite the focus being on the formal relationships, argues why a holistic perspective in explaining firms' internationalization is important. It then explains the methodology followed by the findings. In the final part, a framework for collaborative venture strategies by internationalizing SMEs

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