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**THE COLLECTIVE NATURE OF EXPORT GROUPING
SCHEMES**

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ABSTRACT

Export grouping schemes have assumed an increasing role in the process of internationalization, especially for small- and medium-sized companies. Its network character has received the attention of a number of researchers who have focused both on their creation and development. Although cooperation has been recognized as a central feature, its collective action nature has been neglected. This paper aims at developing a methodological approach which takes into account that most export schemes involve a variety of actors who share common interests and are concerned with the promotion or defense of their collective interests.

KEYWORDS: export grouping scheme, issue-based net, cooperation, collective action, qualitative methodology, case study.

1. INTRODUCTION

To develop their activity firms have to interact with other organizations such as customers, suppliers, competitors, governmental departments, associations or regulatory commissions. This process may give rise to creation of stable relationships through which companies adjust activities and routines. Such relationships tend to be built over long periods requiring time and resources, and involving bonds for the future. Firms' strategic action can thus be regarded as a snowballing process involving relationships created and developed to guarantee firms' access to resources and the selling of their products. This system of interdependent organizations forms a network where the position assumed by one firm affects not only its own performance but also the other firms. This view of markets as networks owes much to the research developed by the IMP (International/Industrial Marketing and Purchasing) group. The seminal studies were carried out at the University of Uppsala and Stockholm School of Economics in early 80s, and later developed by other research centers (cf. Håkansson, 1982; Axelsson and Easton, 1992; Naudé and Turnbull, 1998; Ford et al., 1998; Gadde and Håkansson, 2001; Havila et al., 2002; Håkansson, Harrison and Waluszewski, 2004).

Cooperation is a key feature within the conceptual framework of the IMP group. Whilst accepting the existence of formal types of collaborative arrangements, this stream of research has developed a model of industrial networks where informal cooperation assumes a central place (Easton, 2004). A significant number of studies have demonstrated that in most cases cooperation among firms is not based on administrative procedures or supported by formal contractual arrangements. On the contrary, assuming an informal nature, it is created gradually, based on the need for coordination and on inter-firm bonds, and results in a progressive reinforcement of trust between the parties (Ford, 2002). Nevertheless, inter-organizational cooperation is

neither confined to formal contractual arrangements, nor to dyadic informal cooperative relationships such as the ones that have attracted the attention of most network approach's researchers. Cooperation may also take the form of a collective action involving a variety of actors who, sharing common interests, are concerned with the promotion or defense of their mutual interests.

A case of cooperative arrangements in international business is export grouping schemes. Often encompassing a collective action character, they have assumed an increasing role in the process of internationalization, especially for small- and medium-sized companies. The objective of this paper is to develop a methodological approach for the study of export grouping schemes which takes into account their collective nature. The paper is divided in five sections. The first elaborates on the concept of export grouping scheme and attempts to put in evidence its collective nature. The second section focuses on the concept of issue-based net and shows how it can be used in research on export schemes. The section which follows presents the framework for analysis as well as the methodological approach used in the investigation project. The forth section addresses the Vitrocrystal case. This is an export grouping scheme aimed at increasing the competitiveness of the Portuguese glass industry during the 90s. The last section makes clear the contribution of the concept of issue-based net as a methodological construct particularly appropriate for the understanding of cooperative phenomena.

2. EXPORT GROUPING SCHEMES

Ghuri et al. (2003) classify export marketing problems in two categories: internal and external. The first have in general to do with organizational resources whose lack may have significant influence on export performance of manufacturing firms. They include

the lack of suitable quality, image and design for the foreign market (Czinkota and Rocks, 1983; Kaynak and Kothtari, 1984) as well as problems stemming from poor organizational and personnel resources (Yang et al., 1992). On the other hand, external problems are associated with factors of the macro environment, the industry and the export market that may act as barriers or limitations to the expansion of the activity in foreign markets (Ramaseshan and Soutar, 1995).

Export grouping schemes are often used to deal with these difficulties. Assuming a variety of forms ranging from trade missions to export consortia, they aim to facilitate the penetration in foreign markets (Wilkinson et al., 1998). Such schemes can be both vertical and horizontal. The former, also 'labeled marketing channels networks', are those that "efficiently promote, modify and move goods to markets. In doing so the channel participant adds value to the product and shares profit and market risk with partners in the channel" (Ghauri et al., 2003, p. 731). On the other hand, horizontal schemes are those whose members are competitors. The rationales for their creation may have to do with the fact of participants want to jointly exploit a market opportunity, to deal with a marketing threat or to improve production efficiency.

The benefits of an export grouping scheme result from the coordination of activities among its members (Wilkinson et al., 1998). The benefits can be measured both in terms of efficiency (e.g., sharing of resources to hold up international marketing activities) and effectiveness (e.g. gaining greater impact from a given amount of resources allocated). Nevertheless, despite their potential benefits, export grouping schemes may be difficult to emerge and develop. Meulenber (1998) suggest three conditions for the emergence of an export network. Firstly, a common challenge should exist in the international market. This can stem for instance from a lack of market information, limited financial resources, insufficient human resources or lack of capacity in terms of design and quality. Secondly, companies should prefer to respond jointly

inasmuch as they are aware of the potential benefits. Finally, the outcome produced by the scheme should be important for the income formation of the participants.

The process of network development also raises some difficulties. Welch and Joynt (1987) suggest two major factors that tend to determine the success of an export grouping scheme. The first determinant concerns the attitude of the members of the group in terms of solidarity, cohesion and commitment. Both the size and composition of the group are key features. As the size expands, solidarity, cohesion and commitment tend to become more difficult. The same way, "... the greater the substitutability of different firms' products the more this is likely to promote competition instead of co-operation" (Rosson and Blunden, 1985, p. 4). The second determinant concerns the evolution of foreign market penetration activities. In this case, the key elements are the access to foreign marketing experience and know-how, the access to foreign marketing networks, and support infrastructure.

On the basis of Håkansson and Snehota's (1995) work on network change, Welch et al. (1996) provide an understanding of export schemes' benefits from a relational point of view. Such changes may occur in three key dimensions of inter-organizational relationships: activity links, resource ties and actor bonds. "Activity links refer to the ways in which the various activities performed by two firms in the relationship are coordinated and adapted to each other. Resource ties refer to the way in which tangible and intangible resources supporting the activities of two firms in a relationship become oriented towards and integrated with each other. Actor bonds refer to the way in which the parties involved in a relationship perceive and identify with each other." (op. cit., p. 464). The article that Welch and her colleagues wrote in 1996 is considered a landmark in the literature on export grouping schemes since it provided a first approach to their understanding from a network point of view. As the authors put it,

“export grouping schemes have not generally been conceived or analyzed in network terms, yet their underlying logic is clearly network-related” (op. cit., p. 464).

A central feature of export schemes is cooperation. Adopting a network approach, Easton and Araújo (1992, p. 76), contend that inter-organizational cooperation “occurs when two or more parties have objectives which are mutually dependent”. As a matter of fact, Welch et al. (1996) state that such schemes assume the form of a network among firms sharing common interests regarding internationalization issues. “The logic of such schemes is that companies should be able to achieve far more impact in a foreign market by acting in combination rather than singly, with resources being pooled and costs, information and experiences being shared” (op. cit., p. 464).

However, the cooperative character of an export grouping scheme usually involves forms of collective action. A collective action arise when a variety of actors join efforts to cope with a collectively recognized issue by influencing the structure and evolution of the systems to which they belong through an increased control over activities, resources and other actors (Brito, 1999). This is clear in Wilkinson’s et al. (1998, p. 493) argument that “... for cooperation to develop group members must recognize and value the potential gains to be made. However, these may be outweighed by the potential costs. They must perceive that the potential gains outweigh the costs and the contributions to be made”. Using a collective action terminology, what Wilkinson and his colleagues mean is that companies will join schemes that provide them with a collective good that compensates their individual costs for the provision of the collective benefit.

What is then a collective action? And what is its impact on the research on export grouping schemes?

3. ISSUE-BASED NETS

Collective actions take place when a number of actors provide "goods that are available to everyone if they are available to anyone" (Olson, 1965, p. 14). The key issue is that such phenomena are likely to give rise to problems since members of collective organizations are, to some extent, free to choose whether to contribute or not to the provision of the joint benefit. In general, these organizations acquire the bulk of their resources from their members' contributions. In such a situation, self interest may induce free-riding. Most of the research on problems of individual versus collective rationality owes much to Mancur Olson's seminal book *The Logic of Collective Action* (1965). The author focused on organizations which provide public or collective goods. Such organizations may assume, for instance, the form of business cartels, professional pressure groups, trade unions, and, of course, export grouping schemes. From an inter-organizational point of view, a collective actor is a net of relationships created in order to provide a collective good or benefit.

Since export grouping schemes are collective actors, the methodology for their study gains an extra importance if it takes into consideration that fact. In this context, the concept of issue-based net is likely to open new avenues in this front since it is particularly appropriate for the study of collective action phenomena. The roots of this concept can be found in four streams of research: collective action studies (cf. Klandermans, 2002; Ostrom, 2003), policy networks studies (cf. Marin and Mayntz, 1991; Scharpf, 1993), organization and marketing studies (cf. Nohria and Eccles, 1992; Iacobucci, 1996) and management studies (cf. Dutton and Webster, 1988; Dutton et al., 1997). The concept was later developed by other researchers who applied it to different contexts. For instance, Brito (1999) used it to study the Port wine industry, Kompula (2000) applied it in a study on regional tourism networks in Finland,

Mustikkamäki et al. (2001) in a research on urban networks, Mäkinen (2002) to study innovation networks and start-up companies, and Nummela (2002) to research international R&D collaboration.

The choice of the sampling unit for the study of export grouping schemes is the outcome of a trade-off between two extreme options. On the one hand, their collective nature does not allow for the use of focal organizations (nor even dyads) as sampling units. On the other hand, adopting the overall network – i.e. the system in which the export group is embedded – as sampling unit would probably raise a number of difficulties resulting from the complexity of the work and the impossibility of replication. In this context, the concept of issue-based net can be particularly useful for the study of these phenomena. An issue-based net is “a form of association mainly based on cooperative relationships amongst actors who aim to cope with a collectively recognized issue by influencing the structure and evolution of the system to which they belong through an increased control over activities, resources and/or other actors” (Brito, 1999, p. 93).

An issue-based net tends to aggregate various types of actors sharing mutual interests through processes of exchange and interaction whose objective is to cope with a collectively recognized issue by attempting to influence the shape of the network where its members are embedded. Issue-based nets may encompass either a formal or informal members. Formalized issue-based nets are those created through an explicit contract, and assuming a formal structure and organization. Nonetheless, side by side with formal members, there may be other actors who relate to the contractual net in an informal way.

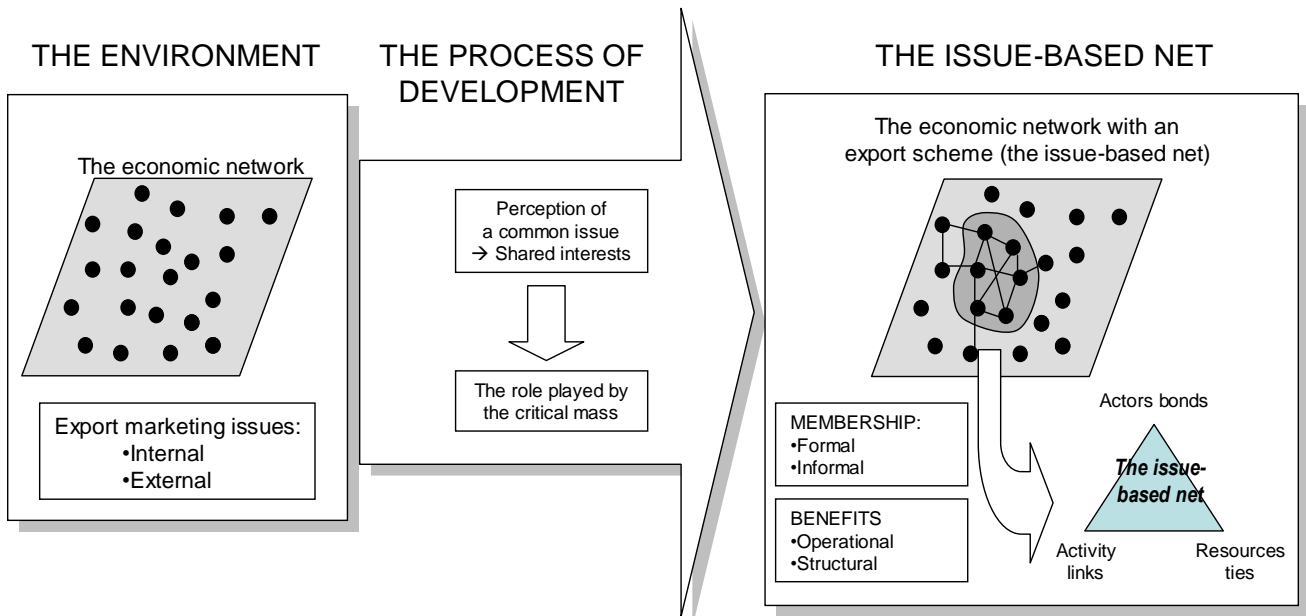
The emergence and development of issue-based nets may be dependent on the role played by a small number of more active actors who provide the resources necessary

for the creation of the net. Despite the fact that the majority of members do little or nothing, such a critical mass (cf. Oliver, Marwell and Teixeira, 1985; Marwell, Oliver and Pahl, 1988) may be sufficient to mobilize efforts, money, time and other resources towards the provision of the collective benefit. In this context, the emergence of an issue-based net is very much dependent on the strength of the relationships established among the critical mass members, rather than the size of the whole group.

4. THE MODEL

The model presented in Figure 1 was developed on the basis of the previous considerations. It aims at contributing to the understanding of why and how an export group scheme emerges and develops. In this sense, it can be regarded as an opened black box between two extremes: on the one hand, the initial situation and, on the other, the outcome of the process, i.e. the export grouping scheme. In this sense, the framework for analysis encompasses three basic components. The first has to do with the initial conditions which lead to the creation of the export grouping scheme. The second component refers to the process of development: the perception of a common issue related to either internal (lack of resources, image, design...) or external factors (threats from new entrants, labor conditions...). The final component has to do with the outcome of this process, i.e., the export grouping scheme itself. Its characterization demands a clear perception of the activity links and resources ties established among both formal and informal members.

Figure 1 – The Model



These issues were investigated on the basis of a case study methodology. The exploratory nature of the research required an explanatory methodological approach rather than descriptive. As a matter of fact, case studies are considered an adequate methodology for exploratory and explanatory research (Yin, 1994). The research context is framed by the Portuguese glass industry, where collective actions assuming the form of an export grouping scheme became a central issue. Dubois and Araújo (2004) advise the use of case studies in this context since methodologies relying on statistical inference cannot be used in the study of networks, as they require independence among sampling units. Data collection was mainly based on semi-structured interviews. The analysis followed the principles of the grounded-theory

approach aiming at the emergence on new theoretical constructs on the basis of data analyzed (Strauss and Corbin, 1990).

In this context, the Vitrocrystal case which follows aims at putting in evidence how the concept of issue-based net can be used for the understanding of the creation and development of export grouping schemes. Vitrocrystal is a case of an export scheme made up of small- and medium-sized firms aimed at reinforcing their competitiveness by joining resources and efforts to gain an important head start in the international marketplace.

5. THE VITROCRISTAL CASE

The Portuguese glass industry faced a number of important threats by the early 90s. These had to do with a number of threats that weakened its competitive position in international markets: strong external competition, especially from Eastern Europe, highly unionized labor force, and dependence from a small number of customers with high bargaining power. Moreover, the majority of firms had a low productivity and were highly product oriented, paying very little attention to marketing issues. This led to a reduced control over distribution channels, absence of strong brands, poor design, and difficulties in developing an integrated communication strategy.

5.1 Creating an Export Grouping Scheme

The majority of companies operating in this industry were located in Marinha Grande, located 50 miles north of Lisbon. This region was an industrial district with both a

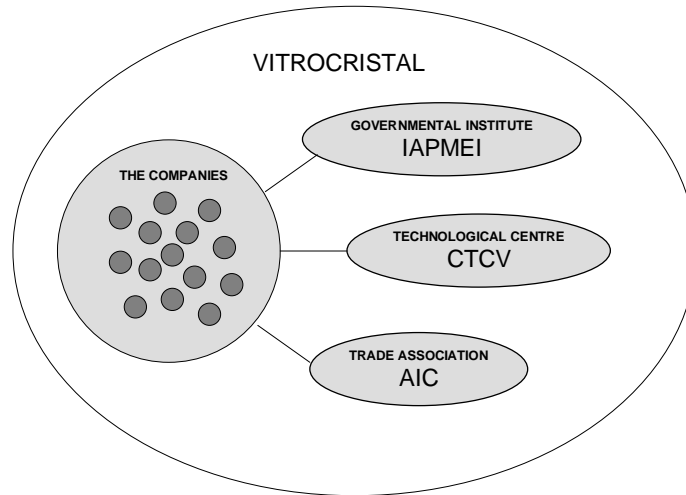
national and regional significance. In fact, it accounted for 80 per cent of the Portuguese glass production, and one third of the active labor force of the district was employed in the glass industry.

By the mid-70s, a number of firms along with representative bodies and governmental departments developed an in-depth analysis of the industry value chain. A key measure was then identified as crucial for the recovery: the mobilization of resources and efforts in order to increase the competitiveness of the firms on the basis of new technical and commercial capabilities. This gave rise to the creation of Vitrocristal, an export grouping scheme made up of fourteen companies. Nonetheless, the members of Vitrocristal became aware that other actions were needed to face the challenges of the international context where these companies were operating. Some actions in terms of brand, design, commercial conditions and new markets were searched for. It was recognized that closer relationships with the customers as well as a higher level of product differentiation were critical success factors.

An important element of this strategy was the creation of MGlass, a collective brand that could be used by the companies subject to the condition that the standards in terms of quality and design were achieved. Furthermore, there were regular inspections to the products and processes to check if the conditions were being fulfilled. In this way, under MGlass was offered a wide and differentiated product line, something that was impossible to achieve if the firms operated on their own.

The network created around Vitrocristal did not include only the fourteen founding firms. This alliance also involved the trade association (AIC – Associação Industrial de Cristalaria), the technological centre for glass and ceramics (CTCV – Centro Tecnológico da Cerâmica e do Vidro) and IAPMEI, the governmental institute that supports small- and medium-sized firms (see Figure 2).

Figure 2 – Vitrocrystal export group scheme



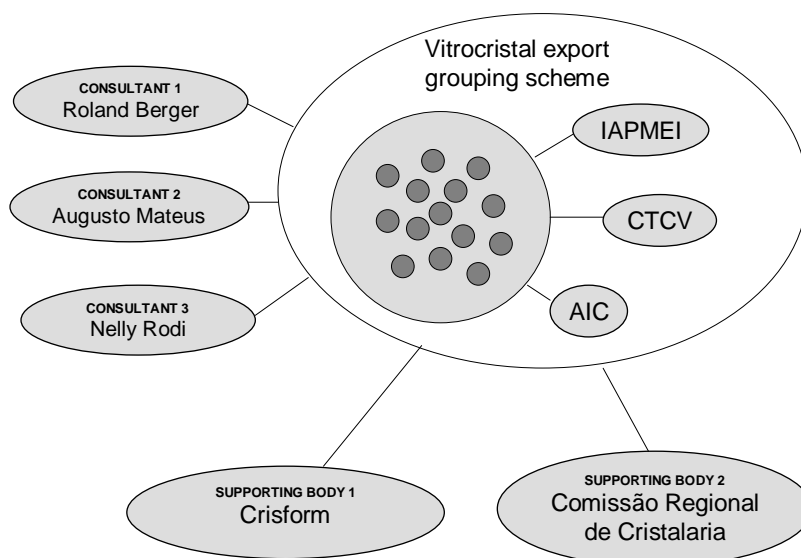
On the other hand, it was recognized that the success of the glass industry was very much dependent on the regional development of Marinha Grande. The Glass Region was then created, aimed at articulating industrial and regional policies, and promoting a differentiated image of the Portuguese glass products in international markets. In this way, Vitrocrystal was expected to act as a vehicle for the implementation of industrial and regional policies aggregating companies, a trade association and a support technological infrastructure. Its mission was to improve the overall competitiveness of the industry on the basis of a collaborative model with a clear geographical orientation.

Considering the strategic positioning desired for the cluster, a consultant company was hired: Roland Berger & Partners. Its selection was made taking into account that Roland Berger had a significant expertise in the glass and crystal industry throughout the world, as well as close links with the most important markets.

Meanwhile, the success of Vitrocristal required other measures such as the involvement of both a training centre (Crisform) and a regional body (CRC – Comissão Regional de Cristalaria) that aimed at promoting the region and its products. It was entitled of the involvement of all the driving forces of the region in order to capture a wide range of motivations that used the image of the district for managerial purposes. CRC was also responsible for checking if the production of glass companies conformed the established standards.

In short, the network created to deal with the challenges faced by the Portuguese glass firms in the early 90s was not confined to Vitrocristal, i.e. the export grouping scheme. The real issue-based net was made up of different kind of actors as shown in Figure 3. Formal members were the firms, AIC, CTCV and IAPMEI. In addition, there were very close relationships with other partners such as Roland Berger, Nelly Rodi (a fashion company) and Augusto Mateus & Associados, an important Portuguese consultancy company, as well as with Crisform and CRC as mentioned earlier.

Figure 3 – The issue-based net



5.2 Understanding the Vitrocristal Case

In this way, the glass issue-based net represented in Figure 3 was the sampling unit. Its analysis was mainly based on primary data collected through personal interviews where informants were induced to talk about their perceptions of the issue being studied. The reasons for the concentration on individual perceptions were twofold. The first reason flowed directly from the research questions. As stated before, such questions were mainly exploratory and explanatory in nature. They were exploratory mostly because of the lack of knowledge about the kind of phenomena under study. But research questions were also explanatory because, given that they were formulated in terms of 'why' and 'how', they reflected the declared purpose of understanding of cooperation in international business rather than looking for mere descriptions of facts (Yin, 1994). Within this context, perceptual data were useful for both understanding the rationale underlying such phenomena and suggesting directly theoretical constructs which could be strengthened by replication and extension (Dubois and Gadde, 2002).

Given the basic research method adopted, the sample corresponded to the glass issue-based net. The rationale for this method stemmed from the connectedness of industrial networks which demanded that research should be carried out on a net of actors linked by both transactional and non-transactional relationships (Dubois and Araújo, 2004). Table 1 offers a comprehensive view of the key results of the study adopting this methodology.

Table 1 – Key Results

The Basic Collective Issue	<ul style="list-style-type: none"> • Increase competitiveness: <ul style="list-style-type: none"> . Increase dimension . More competencies (design, quality standards, marketing...)
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Structure of the issue-based net		Critical Mass	Operational Issues	
Formal Actors	Informal Actors		Conjoint Resources	Coordination of Activities
<ul style="list-style-type: none"> •Companies •AIC (trade association) •CTCV (technological centre) •IAPMEI (governmental institute) 	<ul style="list-style-type: none"> •Roland Berger •Crisfom •CRC (regional body) •Nelly Rodi (fashion company) •Augusto Mateus & Ass. (consultancy company) 	<ul style="list-style-type: none"> •The initial group of companies •AIC (trade association) •IAPMEI (governmental institute) 	<ul style="list-style-type: none"> •Capital •Technological expertise •Time and effort <li style="text-align: center;">↓ •MGlass 	<ul style="list-style-type: none"> •Establishment of protocols (quality, standards) •Development of a product line with a new brand •Training •Promotion of the region (i.e. the industrial district)

The sampling process did not follow a rigid pre-established sampling plan which should be respected in all circumstances. By contrast, it was developed while retaining some degree of flexibility. In other words, sampling was a dynamic process which evolved on the basis of the evolving theoretical relevance of concepts (Georges and Bennett, 2005). This reflects two key features of the sampling process adopted. Firstly, sampling and data analysis were overlapping and interwoven tasks with mutual impacts. Secondly, it also reflects the objective of avoiding what is considered one of the most undesirable pitfalls faced by many researchers: the indiscriminate collection of data

and the consequent accumulation of far more information than there will be time to study (Easton, 1995).

Taking these considerations into account, the process developed in the following way (cf. Eisenhardt, 1989). Firstly, sampling was *a priori* opened to those incidents that were likely to provide the most relevant data about the phenomenon being studied. Secondly, as new categories were discovered and relationships among them were established, sampling became more focused on some incidents in order to uncover or validate such discoveries. Thirdly, some 'peripheral' informants - i.e. people who apparently were not closely linked with the issue under study but whose perceptions about such issues were likely to contribute to new and insightful perspectives - were also deliberately included. In this regard, the experts interviewed were typical 'peripheral' informants. Finally, sampling stopped when 'theoretical saturation' was reached. This means that sampling came to an end when "... (1) no new or relevant data seemed to emerge regarding a category; (2) the category development was dense, insofar as all of the paradigm elements were accounted for, along with variation and process; (3) the relationships between categories were well established and validated" (Strauss and Corbin, 1990, p. 188).

6. CONCLUSION

The concept of issue-based net seems to be particularly appropriate for the study of export grouping schemes inasmuch these usually involve a collective action nature, as it happens in the Vitrocristal case. The richness of this methodological approach has to do with its systemic and dynamic character. In fact, studying an issue-based net involves both the development of a systemic view of the whole set of situations

involved with a particular collective issue, and the understanding of the dynamics of industrial systems driven by the mobilization of collective interests.

The methodological approach addressed in this paper represents a development of the case study method which involves an in-depth analysis of a small number of situations or cases. In this line, an issue-based net can be regarded as a situation or a case. The importance of this concept stems from the fact that issue-based nets represent an intermediary option between two extreme alternatives: the use of focal organizations (or relationships) as sampling units versus the adoption of the overall network as unit of analysis. Taking into consideration the difficulties associated with the second option, the use of issue-based nets as sampling units can be regarded as a practical solution for capturing the connectedness character of network analyses.

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