Domestic firms competing with multinational enterprises: The relevance of resource-accessing alliance formations

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1. Introduction

An increasing number of authors caution about the lack of contextualisation in the international business (IB) field (Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2010) stressing the need for ‘deep contextualisation’ (Tsui, 2007, p. 1357) and a clearer understanding of contextual effects (Li & Meyer, 2009). Following such calls, we adopt a context-specific view on how local firms in a single, multinational market respond to competitive challenges stemming from MNEs’ ownership advantages (OA). On the one hand, this contributes to the limited and rather a-contextual knowledge on the competitive ‘battle’ between MNEs and local firms. While there is fairly extensive literature that specifically compares multinationals with domestic enterprises along several dimensions (e.g. Coucke & Sleuwaegen, 2008; Halkos & Tzeremes, 2007; Mata & Portugal, 2002; Xu, Pan, Wu, & Yim, 2006), there is a dearth of research on how local firms confront the challenges of competing against the usually better-resourced MNEs.

As Chang and Xu (2008) note, ‘research in strategic management …has typically studied these phenomena only from the perspective of multinational firms [emphasis added]… Except for studies on joint ventures, it has paid little attention to local firms, which compete with multinationals in local markets’ (p. 495). More specifically, local firms are mostly seen as passive recipients of, e.g. technology spillovers and not as active competitors in a given market (Chang & Xu, 2008).

The literature includes several papers that compare multinational enterprises (MNEs) to local firms along several dimensions such as financial strength or production capacity. Nevertheless, the focus on how latter firms compete against the former is often missing in the literature; local firms are typically seen as inferior in terms of resources and thus, unable to compete against MNEs. This paper aims at revisiting this competitive ‘battle’. Through a case-based design in a ‘multinational’ domestic market that seems to favour MNEs, we explore how local firms respond to MNEs’ purported superiority. Findings indicate that local firms respond through alliance formations that enable them to access fitting resources and counter ownership advantages of MNEs. Therefore, resource-accessing strategies spearheaded by local firms suggest that ownership advantages should not be inherently translated into competitive advantages for the MNEs. Implications for international business are discussed and avenues for further research are suggested.
Filatotchev, Hoskisson, and Peng (2005) also walk along the same lines and stress the need for more contextualised research on how domestic firms react to the strategies of foreign firms. Dawar and Frost (1999) also note the little guidance that local companies in their own markets can receive on how to compete against MNEs (p. 120), while Wu and Pangarkar (2006) suggest that future research should examine competitive interactions between MNCs and local firms observing that ‘an interesting possibility in this regard might include examining the role of alliances… to see if the more successful local firms were able to use alliances to enhance their competitive position [emphasis added]’ (p. 310).

This perspective also allows us to put into context the tacit or explicit tendency to associate MNEs’ ‘ownership-specific (or competitive) [sic] advantages’ (Dunning, 1993, p. 183; Dunning, 1988) with competitive advantages (Cho & Lee, 2004; Grant, 1987; Kogut & Kulatilaka, 1994; Sethi & Gisunger, 2002), i.e. the ‘systemic’ competitive advantages that the multinational network itself may offer to subsidiaries (Rugman & Verbeke, 2001, p. 243). These may also come as a result of ‘size, monopoly power, and better resource capability and usage’ as well as the co-ordinating abilities of MNEs (Dunning, 1993, p. 191). Based on an empirical, inductive analysis of how local firms respond to competitive threats posed by MNEs, we shed more light on the contextual forces under which OA of MNEs may not be translated into competitive advantages. We thus, follow calls from scholars who suggested that an in-depth lens allows organizational practices which vary across contexts (Bamberger, 2008; Johns, 2006) to be unearthed contributing to the well-documented need for a contextual approach in IB research (Li & Meyer, 2009; Tsui, 2007; Welch et al., 2010).

We follow a qualitative, case study approach among FMCG firms in Greece, where large scale cross-border mobility of consumers/tourists in effect creates a multinational domestic market during the tourist season, which can be most of the year. This is not unique to Greece; there are several countries with large influxes of foreign tourists, from many countries and for a significant part of the year such as Spain, Italy, Austria, Mexico, France, Egypt, and Thailand. During the tourist season, local and foreign firms face the ‘international’ task of serving not only the ‘native’, permanent population but also a multinational group of consumers. Clearly not only tourism-related firms (e.g. tour operators or travel agents) are affected as tourists also consume a whole range of goods and services that are not produced by the tourist industry such as beers, soft drinks, ice creams and fast or snack food, i.e. fast-moving consumer goods (FMCG). Therefore, British tourists in Spain or American tourists in Mexico create additional challenges for such firms.

The remainder of the paper is structured as follows. Section 2 elaborates on the conceptual background and Section 3 examines the resource ‘deficits’ of local firms explaining more fully two types of resource deficits, namely knowledge and property deficits. Section 4 focuses on the alliance-based, resource accessing strategy options that may in principle be available to local firms in competing with MNEs. Section 5 explains the methodological choices that helped us explore our topic. Section 6 provides detailed analysis of our cases and based on this analysis, in Section 7, we advance a posteriori propositions and we conclude by stressing the implications of our study for international business research and practice and by highlighting limitations and avenues for further research.

2. The competitive ‘battle’ between MNEs and local firms: the relevance of resource-accessing alliance formations

The observation by Chang and Xu (2008) that local firms are not portrayed as active competitors in the market implicitly reflects the assumption that MNEs have superior OA vis-à-vis local competitors. Liability of foreignness is not regarded as inhibiting the MNEs (Zaheer, 1995) as they proactively equip their subsidiaries with unique, superior than local firms’ resources (Elango, 2009; Mata & Portugal, 2002; Peng, 2001b; Rugman & Verbeke, 2001). Yet the internationalisation literature has also shown that the impact of internationalisation on performance is decidedly mixed (Verbeke & Brugman, 2009; Yang & Driffield, in press). This mixed outcome is often explained in terms of the environmental and institutional unfamiliarity and the learning imperatives for MNEs without however any specific reference as to the competitive challenges posed by domestic competitors in foreign host countries. The focus is thus typically on macro or meso environmental impediments/facilitators rather than on the competitive ‘battles’ with host country firms. A focus on such competitive battles is clearly useful as it can help not only to inform whether or how local firms may counter particular OA of MNEs in their markets but also indirectly enrich our understanding of how OA may translate into varying degrees of competitive advantage for MNEs in various contexts.

In this paper we endeavour to make a contribution towards this observation. In order to achieve this objective it is first necessary to clarify the notion of ‘competitive battles’ as employed in this paper. The extant literature on the issue has a somewhat variegated take on the notion of competition between local firms and MNEs. Some studies focus on how emerging economy firms (typically Chinese or Indian) can ‘catch up’ with their more established Western counterparts (Chittoor, Sarkar, Ray, & Aulakh, 2009; Elango & Pattnaik, 2007; Luo & Tung, 2007; Mathews, 2006). The emphasis is on capability building and deliberate learning processes that enable these firms to overcome the strategic limitations of their home environment and acquire ownership assets for internationalisation. While these studies stress the creation and ownership of resources, such strategy may not always be viable for local firms seeking to defend their markets from competition by MNEs.

Asset creation and learning could be a lengthy (and risky) process and may be too slow in generating competitive advantage for MNEs in various contexts. On the other hand, other researchers advocate that local firms should adopt strategies that, essentially, avoid direct confrontation with MNEs. Rather than directly competing with MNEs, local firms should occupy niches following strategies based on identity and cultural criteria (Ger, 1999; Miller, Thomas, Eden, & Hitt, 2008). In the context of tourism-oriented...
countries, in particular, Pouliš (2008) labels such product strategies as 'Ethnobraids' which may clearly be a viable strategy for local firms to compete with MNEs. However, this strategy is presumably only viable if and in those sectors where the incoming tourists have a novelty-seeking consumption orientation; our focus is on cases who are confronted with familiarity-seeking orientations and thus, the competitive challenge for local firms is higher (see Section 3.2 for more discussion around this).

More fundamentally, though, both the literature on ‘catching up’ and the ‘culture-based’ strategies assume implicitly that only local firms’ own resources can be deployed against MNEs. However, this is not necessary; rather, we argue that local firms complement these resources with other, allied firms’ resources. Thus, we adopt the notion of resource-accessing which, as demonstrated by Grant and Baden-Fuller (2004) is a viable strategy to gain competitive advantage. Interestingly, aforementioned authors argued that the rationale for strategic alliances was frequently not learning or capability acquisition through alliances (as commonly assumed) but simply because two firms could complement each other’s resources by accessing the resources of the alliance partner (e.g. for product development purposes).

In this paper, we focus on the competitive ‘battle’ between local firms and MNEs in the domestic market of the former. Specifically, we consider how local firms may ‘defend’ their markets; we do not consider the more ambitious issue of ‘catching up’ with MNEs in global markets. We argue that, by adopting a resource accessing strategy, local firms can compete with MNEs entering their domestic markets without necessarily ‘retreating’ into small niches which the MNE rivals may not be interested in. We develop our analysis in the empirical context of a country with a ‘multinational’ domestic market (due to significant tourist influx). This context is arguably relatively disadvantageous to local firms as some of the usual aspects of the liability of foreignness are absent. In the next section, we explain this dilution of the liability of foreignness and how it aggravates the competitive challenges faced by domestic enterprises. Thus, our study focuses on the deployment of resource accessing strategies in a market environment where the competitiveness of MNE subsidiaries can be considered as being quite strong. Combining our theoretical discussion with empirical insights, we develop a posteriori propositions relating to local firms’ competition with MNEs in a single, multinational context.

3. The resource deficits of local firms vis-à-vis MNEs

MNEs’ OA are often equated with a range of resource bases, which are superior to that of the local firms’ (Boardman, Shapiro, & Vining, 1997; Dunning, 2001) such as value-added innovation processes and technologies (e.g. Tsang, Yip, & Toh, 2008), advanced marketing skills (e.g. Nachum & Rolle, 1999), market knowledge (e.g. Brouthers, Brouthers, & Werner, 1999), channel-related resources (e.g. Das & Teng, 2000) or managerial skills and organizational processes (e.g. Zaheer, 1995). In the following sub-sections, we elaborate on the knowledge and property-related resource deficits that local firms suffer from vis-à-vis MNEs in ‘multinational’ domestic markets. The term ‘deficit’ has a qualitative connotation and concerns the fittingness of resources to the market context. Knowledge-related deficits relate mostly to understanding foreign consumer behaviour, while property-related deficits are associated with brand awareness and access to distribution channels.

3.1. Knowledge-related deficits of local firms

The literature (Kogut & Zander, 1993; Liesch & Knight, 1999; Yang, Leone, & Alden, 1992) has clearly demonstrated the role of knowledge for firms operating in international arenas. For example, lack of knowledge is a major impediment of internationalisation especially for inexperienced, internationalising firms (Eriksson & Chetty, 2003; Johanson & Vahlne, 1990; Leonidou, 2004; Pouliš & Yamin, 2009). Even more specifically, lack of knowledge is also an obstacle in local firms competing with MNEs since the latter avail of a multinational organizational structure, which ‘enables them to manage and transfer knowledge and resources among their subsidiaries in different countries’ (Lavie & Fiegenbaum, 2000, p. 658). Thus, the network of MNE subsidiaries is clearly associated with a certain advantage of multinationality. Knowledge transfer and communication processes (Cadogan, Diamantopoulos, & Sigauw, 2002; Mudambi & Navarra, 2004; Yamin & Otto, 2004) taking place between subsidiaries enhance the ability of subsidiaries to be locally responsive (Calantone, Daekwan, Schmidt, & Cavusgil, 2006) despite their purported lack of empathy with local contexts. Based on such observations, Lavie and Fiegenbaum (2000) conclude that foreign firms are ‘significantly superior’ (p. 658).

In the present study of a ‘multinational’ market, an MNE subsidiary may benefit from the experience of a sister subsidiary regarding how to fashion strategies to appeal both to the tourist as well as the ‘native’ population (Pouliš & Pouliš, in press). Such benefits are clearly not available to local firms serving the same markets. In the context investigated here, local firms’ knowledge as a resource deficit may relate to (i) not having access to information about foreign consumers’ behaviour and their preferred brands, (ii) a lack of a general experience of the challenges addressing to a multinational audience and (iii) not having access to information on best business practices and performance in similar multinational environments (e.g. Spain or Portugal).

Therefore, while the growth and the cultural mix of the market create opportunities which FMCG MNEs and local firms can exploit, in the ensuing competition, firms possessing most fitting resources will reap the commensurate benefits of this transformation. It is logical to assume that due to the market’s multinational characteristics, local firms are at an inherent disadvantage; their ability to generate enhanced levels of knowledge about foreign consumers is impeded by a defining characteristic of these consumers, which is their duration of stay. Moreover, any proven best business practices by firms in
similar environments (e.g. Spain or Mexico) cannot be ‘accessed’ and fully understood by local firms. This disadvantage is arguably stronger for relatively new local firms. However, even for local firms with a long-standing presence in the market, it is difficult to establish a stable pattern of knowledge about foreign tourists in their markets due to the aforementioned duration of tourists’ stay and firms’ unawareness of best business practices abroad. Therefore, for the particular purposes of serving multinational markets, local firms possess less fitting knowledge-based resources.

3.2. Property-related deficits of local firms

A main premise behind the alleged superiority of global brands is the familiarity concept (Cheng, Blankson, Wu, & Chen, 2005; Paliwoda, 1999); consumers are familiar with the properties of the brand and this leads to favourable purchasing (Yip, 1989). Moreover, global brands are commonly perceived as signals of quality and trustworthiness (Holt, Quelch, & Taylor, 2004) and they offer a unique image (Schulling & Kapferer, 2004) which leads to favourable purchasing (Steenkamp, Batra, & Alden, 2003, Buzzell (1968) and Alashban, Hayes, Zinkhan, and Balazs (2002) have also suggested the superiority of global brands among international travelers as a strong likelihood. Recently, Bengtsson, Bardhi, and Venkatraman (2010) also demonstrated the preference of international travelers for global brands showing that global brands in FMCG sectors ‘foster a sense of home’ and act as a symbolic connection with it (p. 533). They also showed that they provide a safe, welcoming and comfortable space and help travelers to ‘restore normality’ (p. 534) in an alien environment. Thus, these studies suggest that FMCGs providing consumption experiences that are reminiscent of home are advantaged.

The tourism literature also reinforces this view to a certain degree. Cohen (1979) suggests that many tourists look for something familiar around them that can remind them of home (food, newspapers, compatriots, etc.). Carr (2002) also suggests that the entrenched habits of tourists cannot be simply abandoned and thus, these retained social elements (called the ‘residual culture’) follow tourists to their destination. In a work, which is more directly relevant to the purposes of this study, authors such as Quan and Wang (2004, p. 301) state that tourists’ daily food consumption often assumes the role of the ‘ontological comfort of home’ and hence helps tourists ‘overcome anxieties and unfitness caused by unfamiliar environments on journey’. The authors assert that whenever the opposite happens (quest for novel, local food), it is usually reserved for a peak food experience and not daily food choices by tourists (the latter being our focus). Thus, while tourists’ behaviour often differs from that in the home environment, yet many researchers have clearly indicated that tourists retain home behaviours in the tourism environment (Crick-Furman & Prentice, 2000; Currie, 1997; Mannell & Iso-Ahola, 1987).

Thus, the second disadvantage that can stem from the multinational features of the context is that local firms suffer from lower levels of brand awareness among incoming tourists. We do not deny the possibility of tourists’ novelty-seeking behaviour. However, whenever this is the case, there is a straightforward option for local firms that falls under the culture-based strategies suggested before (Ger, 1999; Miller et al., 2008). Driven by our sampled cases, the question that this study raises is what local firms do when confronted with a more challenging case of incoming tourists seeking familiarity. Moreover, even if consumers are eager to experiment and taste the local offering, unfamiliarity with the properties, functionality or nature of a local brand may often alienate foreign consumers or may make MNEs offer expected novel products in a contrived, ‘localised’ way which still aggravates competitive challenges for local firms (Poulis & Poulis, in press).

Moreover, multinational firms’ financial status, product development capacity and high brand awareness allow them to expand their distribution presence and access trade. This is in line with studies pointing to the distribution-related advantages that strong brand equity brings (Hoeffer & Keller, 2003) especially in distribution channels with limited selection (e.g. convenience stores or small distributors; Keller & Lehmann, 2006), i.e. the defining feature of the distribution structure in this study’s context where supermarkets are virtually non-existent. Consequently, we can summarize by stating that local firms in multinational markets also seem to possess less fitting property-based resources.

4. The resource-accessing competitive response by local firms

The competitive ‘deficits’ of local firms, elaborated above, are premised on these firms being confined only to their ‘own’ resources. However, recent developments in the resource-based view of the firm stress the relevance of both ‘shared’ and ‘non-shared’ resources and challenge the assumption of ownership/control of resources by a stand-alone organization (Lavie, 2006). The RBV has moved away from only seeing owned, non-shared resources as central to competitive performance; it has extended its logic to inter-connected firms, which expand their resource base through alliances (Contractor & Lorange, 2002) or networks (Hadley & Wilson, 2003).

In recent years, researchers have offered many illustrations of inter-organizational access to resources. Findings show how inter-organizational relations help firms accelerate their value-creating processes manifested in, e.g. advanced innovation capabilities (Zaheer & Bell, 2005), accumulation of organizational knowledge and learning (Hyder & Gauri, 2000; Peng, 2001b) or enhanced internationalization processes (Gauri & Holstius, 1996; Gauri, Lutz, & Tesfom, 2003; Ling-Yee & Ogunmokun, 2001). Thus, the exploitation of inter-organizationally embedded resources (even from dissimilar

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3 However, research has also shown that such an approach can have a flipside manifested in reduction of innovation incentives.

An important point in this discourse is that resource accessing often comes as a result of market forces that induce local firms to tailor their strategic decisions to the specificities of the context (Bowman & Singh, 1993; D’Aunno, Succi, & Alexander, 2000; Gibbs, 1993). Especially in markets with high degrees of environmental dynamism, uncertainty and changing market conditions, contextual forces often explain strategic decisions of domestic firms (Newman, 2000; Wright et al., 2005). Even more specifically, research has shown that access to resources is especially preferred when a firm is in a vulnerable strategic position (Eisenhardt & Schoonhoven, 1996), there is a mismatch between a firm’s product range and its knowledge domain (Grant & Baden-Fuller, 2004) and the resources needed are essential for the immediate present (Das & Teng, 2000).

These antecedents of alliance formation – immediate need for enhanced resources, fitness of resources and resources needed to enhance weak strategic position are characteristics of local firms operating in a multinational market. More specifically, in the context of this study, local firms are often found in a weak position compared to their multinational counterparts. They are in an immediate (due to time constraints) need for resources that will allow them to avail of the temporary tourism market that is generated. Thus, given the local firms’ lack of fitting knowledge or foreign consumers’ lack of awareness with regard to their products/brands, local firms’ need for competitiveness viability and even survival drives them to access property and knowledge-based resources that will counterbalance this weak position. Thus, we argue that a certain degree of strategic flexibility is often required in order to avail of the ‘multinational’ market opportunity, i.e. flexibility of resources available to the organization and managers’ flexibility to co-ordinate and avail of these resources (Sanchez, 1995). However, strategic flexibility does not need to be limited to firm’s own resources. Rather, resources available to the organization may come from an external source. Thus, the ability and flexibility in re-configuring resources through external collaborations (Uhlenbruck, Meyer, & Hitt, 2003) and the foresight to expose oneself to diverse, external sources of knowledge (Zahra & George, 2002) can lead to successful outcomes (Batjargal, 2003; Peng, 2001a; Peng & Luo, 2000; Spicer, Kogut, & McDermott, 2000).

5. Methodology

The study’s high degree of context specificity lends itself to adopting a qualitative methodology (Johns, 2006) aiming at exploring strategies in a range of local FMCG case studies operating in Greece. The effort is in line with a key objective of qualitative research (Silverman, 2000), which is to illuminate phenomena through a deeper understanding of practices in under-studied contexts. Case study is the preferred methodology when unexplored and/or complex phenomena need to be studied, and especially when questions of how need to be asked (Eisenhardt & Graebner, 2007; Ghauri, 2004). The need for in-depth understanding led us to the purposeful selection of information-rich cases (Eisenhardt & Graebner, 2007; Yin, 2003), i.e. local FMCG firms that compete against MNEs in the multinational arena of Greece. This resulted to the selection of six local firms for which the intensity of the phenomenon is clearly manifested. We also crosschecked responses by interviewing competing MNEs. Even if we did not aim to deviate from the focal unit of analysis (i.e. the local firm), broadening the scope of respondents beyond the primary cases allowed a concrete triangulation of findings and enhanced the validity of the research.

A main concern of the study was to find a sample of firms which compete in product categories that can be virtually found everywhere in the world, i.e. products tourists use both in Greece but also in their own countries. Specifically, the relevant sample does not include small, local firms which commoditize the local culture and sell it in the form of, e.g. souvenirs or local spirits. Rather, we wanted to focus on local firms that intentionally have a dedicated market presence across the local and foreign populations and compete against MNEs in both markets. Thus, primary cases were selected after a direct observation technique, which included observation of retailing outlets (e.g. convenience stores and mini-markets) in both tourist and non-tourist areas of the country during the tourist (summer) and non-tourist (winter) seasons. By directly observing retailing outlets across two seasons in both areas of the country, we managed:

i. to exclude firms that act as temporary, opportunistic players in the market. For example, products of firms which were found in retailing outlets only during summer indicated that firms offering such products are, e.g. sporadic importers or sellers of souvenir-type of products and local, touristy items such as indigenous spirits. Such firms that base their operation on the commoditization of local culture may form a significant part of the tourist landscape but nevertheless, they did not qualify for our sampling purposes.

ii. to identify all local FMCG firms which are active in both tourist and non-tourist areas throughout the year, i.e. they sell their products to both foreign and local consumers during summer and winter and at the same time, they face competitive pressures from foreign firms in both areas.

The final sample was characterized by an as wide representation of FMCG firms as possible including a food retailing case, two packaged food firms, a beverage firm, a cosmetics firms and one tobacco firm offering 15 in-depth, personal interviews in total (see Table 1). Further clarification, whenever necessary, took place through telephone interviews. All firms are active in the market for several years and, despite being non-tourism firms, they have acknowledged the importance of the tourism-induced opportunity for their operation. Respondents primarily included executives from the marketing or sales
departments of the firm and they were dictated by firms themselves. This selection occurred after our initial request to the firms to pinpoint the most suitable respondents themselves; hence, the several hierarchical levels and diverse departmental backgrounds of respondents.

Individual in-depth interviews with the ‘nominated’ respondents were conducted within a five-month period all lasting for more than an hour in the companies’ premises. This mode was chosen for its credibility and wide usage especially in the IB field (Marschan-Piekkari, Welch, Penttinen, & Tahvanainen, 2004; Yeung, 1995), for the empathy with respondents, the possibility for clarifying ambiguity and probing further research (Hall & Rist, 1999). Interviews started with unstructured questions allowing respondents to freely express their knowledge and experience regarding the topic of investigation and were susceptible to changes that allowed expansion and better illustration of responses.

Data analysis commenced with transcription of interviews and data reduction with the purpose of ‘selecting, focusing, simplifying, abstracting and transforming the data’ (Miles & Huberman, 1994, p. 10). The selection of the relevant parts of the interviews was a cyclical process that sharpened the analysis and organized data in such a way that meaningful excerpts were immediately evident to the author. Cross-case analysis followed and the responses to our interview questions reflected a clear reference to an alliance formation logic as a viable way to counterbalance MNEs’ OA. In order to triangulate findings, additional sources of information were collected. Most importantly, we secured interviews with competing MNEs which confirmed insights gained in local firms. Additionally, local distributors, wholesalers and retailers collaborating with both types of firms in tourist areas offered an abundance of information regarding the competitive challenges that local firms face whereas secondary data in Euromonitor and corporate documents altogether allowed a concrete triangulation of findings and offered a holistic understanding of the research context.

6. Analysis

We develop our analysis around two main thematic areas, which reflect the theoretical background of the study; at first, we provide an illustration of local firms’ competitive deficits and then, we explain the consequent alliance formation activities of same firms. These pave the way to a posteriori propositions which contribute to an enhanced understanding of the competitive battle between MNEs and local firms and inform on the varying degrees of competitive advantage for local firms and MNEs.

6.1. The resource deficits of local firms

Our respondents generally confirm the prevalence of resource deficits specifically reflecting handicaps in understanding foreign consumers and in terms of brand unawareness and distribution. MNEs’ inherent superiority on these fronts is a unique source of competitive advantage in the Greek, multinational market. More specifically, lack of knowledge was portrayed as a major reason that several local firms may be leaders in the purely ‘local’ market among Greeks but they feel that they lag behind in the multinational market that tourism generates. In the beginning, local firms were not confident to invest resources for attacking foreign firms in the latter’s ‘exclusive territory’ (actual quote by a local fast food chain), i.e. among tourists. On the other hand, MNEs’ knowledge about foreign consumers’ preferences or purchasing habits is achieved through, e.g. intra-organizational communication processes between the focal subsidiary in the multinational market and sister subsidiaries that operate in countries where tourists come from (e.g. England or Germany). The following quote is characteristic of that possibility (Associate Marketing Manager of X2):

I am saying this because I have previously worked for such firms (i.e. MNEs). All multinational firms are part of a network of subsidiaries across the world. This network includes subsidiaries in e.g. England i.e. a country where millions of tourists come from. They (MNEs subsidiaries in Greece) know everything about English consumers; how they behave, their brand preferences, their purchasing habits. Therefore, they adapt their product portfolio accordingly. This is a direct source of knowledge that local firms lack.

Moreover, such processes take place between the focal subsidiary in the multinational market and sister subsidiaries that operate in countries that face similar challenges during summer such as Spain or Mexico. The following illustrates this (Product Manager of X3):

Table 1
The sample and respondents.

<table>
<thead>
<tr>
<th>Cases</th>
<th>Sector</th>
<th>Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case X1</td>
<td>Food Retailer</td>
<td>1 Network and 1 Operations Manager</td>
</tr>
<tr>
<td>Case X2</td>
<td>Packaged Food</td>
<td>1 Group Product Manager and 1 Associate Marketing Manager</td>
</tr>
<tr>
<td>Case X3</td>
<td>Packaged Food</td>
<td>2 Product Managers and 1 Associate Marketing Manager</td>
</tr>
<tr>
<td>Case X4</td>
<td>Beverages</td>
<td>1 Marketing Manager, 2 Regional Sales Manager and 1 Senior Brand Manager</td>
</tr>
<tr>
<td>Case X5</td>
<td>Cosmetics</td>
<td>1 Associate Marketing Manager and 1 Group Product Manager</td>
</tr>
<tr>
<td>Case X6</td>
<td>Tobacco</td>
<td>2 Product Managers</td>
</tr>
</tbody>
</table>
For example, X (a rival MNE) collaborates closely with managers in Spain, Portugal, Mexico etc. All these countries face similar challenges and opportunities with Greece i.e. a huge multinational consumer base generated by tourism. They exchange knowledge on best business practices, what worked well and what did not, on relative performance of brands placed in tourism areas etc. Apparently, this opportunity that the MNE’s structure provides is something local firms would wish to have but they do not.

In this way, the focal subsidiary is immediately aware of performance outcomes and best practices of sister subsidiaries and how respective cultural groups behave in similar contexts. All local firms indicated that the preferences, attitudes, norms and behaviours of foreign consumers are inherently better understood by MNEs due to the latter’s cross-border structure. Especially in a multinational market, this knowledge is of vital importance and represents the first barrier local firms have to overcome in order to compete successfully against MNEs.

We are very keen in exploiting the tourist market of Greece but we did not possess the same information, data and knowledge as the multinational firms did. Especially when it comes to knowing what the German or the British consumers (the two largest groups of foreign consumers in the country) want our knowledge was undoubtedly limited compared to Z or Y (multinational competitors). I would call it scarce. (Network Manager of X1)

A similar picture is evident with regards to property-based resources. Local firms consider their lack of brand awareness and limited access to trade as their other important barriers towards availing of the enlarged market scene that tourism generates in their country. X5’s Associate Marketing Manager comments:

Moreover, as you can understand, our brands may be widely known and popular among Greeks but their identity is unknown among foreign consumers. When tourists go to e.g. a mini-market next to their tourist establishment to buy a shampoo, they immediately recognise X’s (multinational competitor) brands whereas ours may be totally unknown.

Apart from the lack of brand awareness itself, it becomes much more challenging for us to convince the trade professionals to place our products in their retailing outlets. The logic is ‘why should I put your brands while all foreign consumers know Xs’ brands’?

The same picture is drawn from all local firms. X2’s Group Product Manager comments:

Simply putting it, our brands are unknown among tourists. We have to make tourists familiar with our brands and we have struggled achieving that. This has another side-effect; How can you convince trade to place your brands as opposed to Xs’ brands? (X is a multinational rival)

At the same time, a Senior Brand Manager of a cosmetics multinational firm confirms:

This high familiarity among foreign consumers also provides us with a great negotiating tool towards retailers in tourist areas. Since our brands are so popular among tourists, we find it easier to convince retailers to prefer our own to local ones.

Thus, all local firms agreed and responses were cross-checked with MNEs’ views that the latter possess more fitting knowledge and property-based resources. MNEs achieve knowledge enhancement through information exchange and knowledge transfer processes with sister subsidiaries and HQ abroad; they enjoy brand familiarity and they expand their retail presence given the latter advantage. Therefore, data are generally consistent with the background of the study which suggests that less fitting resources of local firms make them ‘suffer’ from competitive disadvantages. At the same time, OA of MNEs seem more relevant and are portrayed as more fitting sources of competitive advantage due to the multinational element of the market context.

6.2. Resource accessing: the alliance formation activity of local firms

Hereafter, we describe how local firms counterbalance aforementioned deficiencies. Specifically, we illustrate alliance formations of local firms with a brief reference to the choice of each of the cases. At this point it must be noted that this paper does not aim to assess the performance outcomes of these strategies nor to comment on their appropriateness. It just explores what local firms considered best in their effort to match the OA of MNE rivals.

Case X1: Alliance of a Greek food retailer with a local/regional agent

In a tourism-oriented context, where the spatial behaviour of tourists is limited, location of the retailer is a major determinant of competitiveness. Local firms try to exploit their localness in order to gain access to parochial resources in tourist resorts. In this respect, they join forces with a powerful local agent (e.g. the owner of a local football team) under a franchising scheme that is perceived as more effective than setting up their own outlet; the agent will provide them with better premises on high streets and will generate a strong customer base through mouth to mouth promotion. The corporate-owned outlets of MNEs cannot often counterbalance the enhanced synergies between the Greek firm and a local agent due to the key role of location in the food retailing sector and the large effect of channels on creating competitive advantages in this sector. The following quote from the Network Manager of X1 is characteristic of this:

We always try to find a powerful local agent in tourist areas (in order to collaborate with him/her as a franchisee). This person will offer us a visible retailing spot on a high street and will expand our business through his/her network on the island. This is something that foreign firms cannot always achieve for two reasons: First, they prefer to create their own outlet from scratch with their own resources or they cannot find the ‘proper’ person because of locals’ ethnocentrism that favours us as a local firm. Therefore, we try to counterbalance our lack of brand awareness with a prime location which enhances visibility among foreign consumers. This, in turn, makes our life much easier with regards to letting tourists who we are; what we sell. Without this visibility and given our lack of brand awareness, no one could expect tourists to search for us; we have to search for them. We do and we make ourselves known to all tourists in the areas we operate.

Moreover, X1’s managers pinpointed the second benefit of allying with a local agent. The following quote came after our question about the advantage MNEs possess regarding knowledge on consumers’ behaviour:

**Question:** Foreign firms know beforehand what foreign consumers want, what brands they prefer, how they behave etc. How do you deal with this inherent disadvantage?

**Response:** I would not call it a disadvantage even if I understand that it seems like it. Let’s say that we are even with MNEs on this front. Let me explain why:

It is known among everyone who deals with the tourism market that the local (person) is always the most credible source of information. They know everything about the tourist season; arrivals, hotel bookings, who visits the place, what they consume etc. They know because of their empathy with the context and because they are local businessmen. The area’s largest hotel owner may be their cousin. So, what they know about foreign consumers, we know too because we collaborate with them; we are partners in our effort to avail of the tourist opportunity.

- **Case X2: Alliance of a packaged food seller with foreign firms that are not MNEs but are leading their local markets**

  X2 joined other non-MNE market leaders in its product category in single European markets (e.g. the Swiss or Spanish market leaders) in a consortium in order to gain knowledge and exchange business practices that allow it to compete better against MNEs in Greece. This consortium provided ideas, information and knowledge that helped X2 treat international consumers better than MNEs could expect. Since many of the collaborating firms operate in countries where tourists come from, e.g. Italy, X2 has a first-hand opportunity to counterbalance a major impediment towards satisfying consumers’ needs, i.e. their lack of knowledge on what foreign consumers prefer and how they behave. Moreover, the Greek firm can circumvent the inherent disadvantage of lack of knowledge with regards to brands’ performance in European countries and/or which are the best business practices abroad. Such a strong knowledge base was hypothesized to be a major ownership advantage of MNEs operating in the country. However, due to such network formations that disseminate customer intelligence to local firms, consumer knowledge ceases to be an exclusive source of competitive advantage for MNEs. The following quote from a Group Product manager of X2 is characteristic of this:

  This Consortium offers many benefits for a firm like us who tries to address the needs of a foreign consumer base domestically. We get data from official market researches abroad and information on how these consumers behave, which flavors they prefer or which are the business practices that performed better in a given country. This is a source of knowledge that the Greek subsidiary of an MNE already possesses but now we possess it, too.

- **Case X3: Alliance of a packaged food seller with an MNE supplier**

  A local packaged food seller has encountered difficulties to penetrate the tourist market and compete against MNEs due to its inherent brand unawareness among foreign consumers. In order to counterbalance this and exploit the tourism opportunity, it formed an alliance with a widely popular MNE that serves as a supplier of raw materials to the firm but also has a successful B2C activity with its branded packaged products. The alliance resulted to a collaborative new product development process. These new products carry the brand name of both firms thus conveying a hybrid sense of familiarity and local authenticity to foreign consumers. The purpose was to create brands that carry the trademark of the global ally (and thus, convey familiarity and awareness) while the focal firm offers production know-how and trade access. More specifically, this inter-firm collaboration led to the development of three new brands. It also allowed the local firm to gain access to knowledge-related resources of the global ally that are considered important for serving familiarity-seeking tourists. The following response by the Associate Marketing Manager of X3 shows the supplier/customer collaboration.

  Our effort in X3 was to address and cover tourists’ needs. However, a step before that is that tourists do not know who we are. As a response to that, we developed a series of products in collaboration with G (the global supplier) whose common characteristic is the coating with G’s product. We did that because the brand name of G has not only high awareness levels but also high customer loyalty.

  Through this collaboration we now know a lot of things about e.g. English consumers and based on this knowledge we jointly developed products accordingly.

- **Case X4: Alliance of a local beverages seller with a snack food producer**

  Many foreign consumers are unaware of the brand of X4 since it also suffers from limited distribution expansion. This is attributed to the retail expansion of its main multinational competitor, which through exclusivity agreements prevents local firms from reaching final points of sale. In order to alleviate this, X4 jointly promotes its brands with a powerful multinational
snack food producer (being supplementary products) that enjoys a huge distribution network all over the country. In this way, it gains brand awareness while at the same time it extends retail presence. The Marketing Manager of X4 comments:

We have a problem expanding our retail presence due to intense competition from our main multinational rival. They manage to exclusively ‘secure’ retailing outlets to which access for us is almost impossible. As such, it is not only our distribution expansion that is thus, affected but also our brand awareness among people who do not know us i.e. tourists.

As a response to that, we formed a loose but very productive alliance with a leading firm in a sector which we perceive as supplementary to our product i.e. the snack food sector. This firm enjoys a phenomenal expansion of its distribution base all over the country which we exploit, too. We jointly offer products to tourists through special promo packs adapted to tourists’ mood for snacking and boozing and thus, we both expand our sales while we make ourselves widely known among foreign consumers.

All this access to vital resources for us would have not been possible without this loose alliance with the firm.

**Case X5: Alliance of a cosmetics firm with hotel amenities’ wholesalers**

In order to exploit the tourism opportunity, local cosmetics firms form alliances with wholesalers who equip hotels with amenities products as private labels. This is something that MNEs do not do since they rely on traditional channels of distribution such as super-markets, in which they are dominant. Such dominance has created a myopic view towards considering access to direct channels of ‘tourist’ consumption such as hotels. In this respect, local firms through their alliance with tourism wholesalers reach the source (hotels) of final consumers’ purchasing. X5’s Group Product Manager comments:

We have formed an alliance with Z. This is a firm not many people know but it is a firm which dominates the tourist wholesaling market. They supply most hotels with all kinds of hotel amenities and we use their network for gaining access to the hotel industry through our bath products. MNEs do not bother doing that since they focus on traditional channels such as supermarkets and we saw there was a margin for action there. The tourist market is huge so as to let an opportunity like that unexploited…

Thus, in this way, we counterbalance the loss from lack of retail presence in more traditional channels such as supermarkets.

**Case X6: Alliance of a local tobacco firm through licensing agreements with respective local producers in tourists’ countries of origin**

Local tobacco firms do not have the time to build awareness and make tourists resort to their Greek brands. Moreover, the extreme levels of brand loyalty for tobacco products make Greek brands have an inherent competitive disadvantage. The only way to tackle this deficiency is by forming licensing agreements with tobacco firms abroad that equip them with brands that are known and favoured by a significant portion of foreign consumers in Greece. A Product Manager comments:

Through a licensing agreement, we import popular brands from European countries and sell them in Greece. We do that exclusively for tourists since our own brands are popular among Greeks. However, tourists do not even know our brands and curiosity does not apply for smokers. I could understand that if I sold beverages but smokers do not change their habits. Actually, they do not change their brands… We thought of such imports as the only means to compete against MNEs that sell popular global brands such as X. Now, we can address the need of an Italian smoker with a specific Italian brand imported from Italy through our Italian partner.

If we haven’t formed this alliance with them, this Italian consumer would definitely smoke X (a global brand) and not our brand (a purely Greek brand).

The aforementioned description of cases collectively indicates that local firms resort to resource-accessing strategies through alliances in order to confront the challenges of a ‘non-fitting’ context, i.e. a multinational market that seems to favour MNEs. The external pool of resources accessed through alliances allows firms to counterbalance inherent resource-related ‘deficits’ triggered by the context and in doing so they manage to penetrate the tourist market in Greece, which amounts to 15 million additional tourists/consumers per year. Several types of alliance schemes are employed that allow the expansion of local firms’ resource bases. Table 2 summarizes findings from the case studies and describes the motive for the resource-seeking behaviour of the local firm and the type of alliance structure that the firm decided to form.

<table>
<thead>
<tr>
<th>Motive for alliance formation</th>
<th>Type of alliance structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case X1: Enhanced Retail Presence</td>
<td>Franchising</td>
</tr>
<tr>
<td>Case X2: Knowledge Acquisition</td>
<td>Informal Network</td>
</tr>
<tr>
<td>Case X3: Counterbalance Brand Unawareness</td>
<td>Joint Production</td>
</tr>
<tr>
<td>Case X4: Enhanced Retail Presence</td>
<td>Joint Promotion</td>
</tr>
<tr>
<td>Case X5: Counterbalance Brand Unawareness</td>
<td>Distribution Agreement</td>
</tr>
<tr>
<td>Case X6: Counterbalance Brand Unawareness</td>
<td>Licensing</td>
</tr>
</tbody>
</table>

Table 2: Resource-seeking behaviour and alliances of local firms.

7. Discussion and propositions

In this section, we follow a ‘recursive cycling’ between emergent findings and prior literature (Eisenhardt & Graebner, 2007, p. 25) in order to advance meaningful a posteriori propositions. Firstly, the sectors do indeed seem to be partly characterized by superior MNE knowledge of foreign consumers’ behaviour, by greater consumer awareness of their brand and by their extended channels. As a result, sampled local firms start the competitive ‘battle’ with inherent disadvantages triggered by the specificity of the context. Thus, our study started with the empirical observation that the multinationality of the context enhances certain OA of MNEs whereas on the other hand, it makes local firms’ resource base less fitting to the emerging multinationality of the Greek market. These insights from the field allow us to put forward the first proposition:

P1. In a multinational domestic market, the more fitting MNEs’ ownership advantages with the context, the more difficult it will be for local firms to compete with MNEs by relying only on their own resources.

However, OA are not automatically transformed into competitive advantages for the MNE. This is based on the assumption that local firms are just passive players in the market (Chang & Xu, 2008) or the equally unrealistic assumption of the exploitation of only own resources by a firm (Lavie, 2006). Our data have clearly demonstrated the opposite: local firms are neither passive players nor they rely on their own resources. Rather, compelled by the recognition of their less fitting resources, they attempt to re-configure their resource base through alliances. This alliance formation activity by local firms enhanced their competitiveness (Lavie, 2006; Stuart, 2000) as a result of a proactive behaviour whereby the specificity of the context pushed seemingly disadvantaged local firms to re-configure their resources without the need to resort to ‘niche’, ‘culture-based’ or ‘catching-up’ strategies. Based on this, we develop the following proposition:

P2. In a multinational domestic market, the less fitting local firms’ own resources, the higher their alliance formation activity with firms possessing more fitting, complementary resources.

Lack of knowledge has been a key barrier to local firms to fully benefit from the multinational consumer base of their market. Without accessing complementary resources through alliances it would be difficult for local firms to compete against MNEs that enjoy enhanced understanding of foreign consumer preferences and patterns of behaviour. Our respondents have also acknowledged the inherent disadvantage of brand unawareness and indicated counterbalancing this shortcoming through collaborative new product development processes with more popular or reputable firms (e.g. suppliers). Extant literature has shown that such collaborations offer significant advantages over intra-firm strategies (Perks, 2000). Our findings are also in line with Afuah (2000) and Dyer (1996) who found that supplier’s capabilities influence the competitive advantage of customers. Moreover, we also saw that the market power and brand reputation of a foreign firm encouraged local firms to form an alliance with the former (Dollinger, Golden, & Saxton, 1997; Saxton, 1997). Last but not least, distribution expansion has been a major barrier for local firms, too. For example, a local firm realised that a major source of competitive advantage for a retailer is its location (Hernández & Bennison, 2000) and thus, entered into alliances with key local players. These alliances leveraged the competitive advantages enjoyed by the local firm and enabled them to counter inherent distribution-related deficits. Overall, property-related deficits (brand unawareness and distribution) have been tackled through collaborative arrangements, too.

Thus, the cases we studied showed that the alliance formation activity spearheaded by local firms is consistent with the knowledge accessing perspective (Grant & Baden-Puller, 2004) which helped in reducing market uncertainty and stabilizing the competitive environment they faced (Eisenhardt & Schoonhoven, 1996). The enhancement of local firms’ weak strategic position was not the result of a long-lasting process of accumulating knowledge through learning-based alliances. The immediate need to confront challenges stemming from their vulnerable strategic position in a temporary market and the mismatch between their resources and the market context made learning processes less relevant for local firms. Therefore, we put forward the fourth proposition:

P3. In a multinational domestic market, the more urgent the need of local firms to counter competitive disadvantages, the higher the relevance of accessing other firms’ more fitting resources.

These insights from fieldwork also led us to assess the thesis that OA automatically generate competitive advantage for MNEs vis-à-vis local firms. More specifically, our case data challenge the premise that OA of MNEs lead to competitive advantages (Cho & Lee, 2004; Sethi & Guisinger, 2002). Thus, on the basis of our findings, the contribution of OA to competitive performance can be meaningfully assessed only when considered in relation to two key dimensions of context: (i) the market context and its multinationality, which seems to enhance MNE OA (ii) the competitive context and local firms’ alliance formations, which diminish the value of MNE OA as drivers of sustainable competitive advantages. Thus, we posit:

P4. In a multinational domestic market, the more fitting the restructuring of local firms’ resource base through resource accessing, the less ownership advantages contribute to the ability of MNEs to sustain their competitive advantage over local firms.

Summarizing, the paper makes two related contributions: First, conventional wisdom portrays local firms as the disadvantaged party in a competitive battle against MNEs. In sharp contrast, our study highlights the possibility that local, resource-disadvantaged firms can nevertheless compete effectively with MNEs. We demonstrate that the options open to local firms go beyond culture-based or niche approaches and allow local firms to compete on similar resource bases that
MNEs deploy. Thus, we argue that local firms can counter the advantage of multinationality which is often featured as an inherently superior competitive tool for MNEs. This is achieved through an alliance-based, resource-accessing strategy which widens the scope of fitting resources available to local firms. The importance of our findings is amplified given that we study a context where the liability of foreignness is weakened and competitive deficits for local firms are aggravated. It is reasonable that in other contexts where MNEs face the liability of foreignness to a greater extent, the possibilities for local firms to compete with them are even more viable. The second contribution centers on the role of OA towards the competitiveness of MNE subsidiaries in a foreign market. The next section aims to illustrate the implications of this further.

8. Implications for international business research and practice

A feature of the discourse around MNEs’ OA is that it is rather a-contextual, i.e. there is not much knowledge under which conditions OA are indeed beneficial for the organization. Perhaps, this a-contextual approach can be attributed to the fact that the OA may be the raison d’etre for the MNE but the relevant literature has taken a top (headquarters) – down (subsidiary) approach (Peng, 2001b, p. 811) which inevitably puts less emphasis on the role of local contexts. Tsang et al. (2008) have indeed questioned the beneficial role of OA which remains ‘a fundamental yet neglected research question’ (p. 436) which ‘has been rarely investigated’ (p. 424). Being rather context-insensitive, the literature on OA has not really taken into account contingencies which may make certain OA more or less valuable for a given organization. For example, information technology (property-related) or certain management skills (knowledge-related) may indeed be important OA for any MNE but whether the specific advantages can be translated into competitive advantages for a specific subsidiary in a specific national market is something that will be determined by contextual (e.g. market or competitive) factors. Thus, this study suggests that the context is what actually determines the beneficial or less beneficial impact of MNEs’ OA and as a result, a more contingent logic based on contextual specificities could have permeated the discussion around OA.

It must, therefore, be noted that OA are beneficial for competitive strategy purposes only as long as they generate value for the organization. As Priem and Butler (2001) note, even if an advantage or asset is rare, it does not mean that it will generate value greater than the value other firms will be able to generate in the industry. In line with this observation, what will determine the value-adding potential of certain OA and their contribution to MNE’s competitive performance is imperatives stemming from the market/competitive environment, i.e. a source exogenous to the MNE. Such a moderating influence is even more manifested in an environment where local firms’ competitiveness could reduce the value of OA and diminish their role towards enhanced competitive advantage. In any case, the context within which theories are expected to hold cannot be ignored (Johns, 2006; Priem & Butler, 2001; Tsui, 2007). More specifically, our study suggests that the alliance formation activities open to local firms is a significant element shaping the context in which MNE OAs may or may not translate into competitive advantage.

Concluding, several authors agree that while the literature may contain numerous references to resources being useful yet we know little about the when, where and how these may be useful (Miller & Shamsie, 1996; Peng, 2001b; Priem & Butler, 2001). Partly, this limited knowledge may be attributed to the literature’s lack of attention to consider what Johns (2006) calls the ‘omnibus’ context (e.g. location or time, i.e. descriptions of who, where, why, when etc.). OA may not directly be part of the RBV paradigm but this study can help by opening up the discussion on exploring conditions under which OA – as key resources of an MNE- may or may not be a mediating force towards competitive advantages of the subsidiary and hence, local firms. This is especially relevant for international business for two reasons:

- the results of the effect of multinationality on MNEs’ performance are still contradictory and little consensus has emerged (Verbeke & Brugman, 2009; Yang & Driffield, in press).
- scholars have cautioned about the role of context in the process of theorizing (Johns, 2006; Tsui, 2007) yet this role is not sufficiently recognized or appreciated by IB researchers (Welch et al., 2010).

However, contextualisation of a particular discourse is imperative if we want to clearly assess the value of ‘universal versus local theories’ in IB (Tsui, 2007) and account for differences in firms’ conduct (Johns, 2006). Thus, several of the IB constructs or theories have to be re-appraised through a context-specific lens. This will in turn broaden or limit the boundaries of cross-border theories or models and thus, help the international business research community more accurately draw the line of its existing knowledge. In this case, incorporating context in one’s arguments implies that the more fitting the ownership advantages with the context, the higher (lower) the competitive advantages for the MNE subsidiary (local firms) and vice versa.

9. Conclusions

This study suggests that local firms can usefully consider alliances as a viable means to compete against MNEs enjoying awareness among foreign consumers, knowledge on how these consumers behave and a strong retail presence in the country. This ‘local response’ is in line with research in IB literature which highlight the importance of inter-organizational relationships as a way of handling environmental turbulence and competitive pressures (Holm, Holmstöm, & Sharma, 2005). Das and Teng (2000, p. 51) state that firms combine resources through inter-organizational relationships “…in order to pursue market opportunities that are otherwise beyond reach”. Indeed, alliances seem to help local firms access resources
that reflect the OA MNEs enjoy and as such they are able to compete in a similar fashion towards exploiting the ‘tourism’ opportunity. This would be unachievable without the commensurate benefits associated with alliance activities.

We also stress the suggestive rather than the definitive character of findings. The study is restricted to a country that has a dominant environmental idiosyncrasy stemming from its transformation into an ‘international’ market. As a result, the need for alliances is reinforced whereas the need for accessing resources beyond one’s firm may not be equally important in a stable environment. Therefore, differences across stable and unstable contexts must be acknowledged in order to clarify the extent to which resource-accessing from inter-connected firms is relevant for local firms. Moreover, the limited number of case studies used cannot allow us to generalise the insights from this study to a larger population or to a different country context. Therefore, it must be stressed that the study does not have a prescriptive character nor can inform on the ‘appropriateness’ of such strategies to firms facing similar challenges.

Therefore, this research could benefit if supplemented by studies in more contexts with similar idiosyncrasies involving firms of varying levels of proprietary resource bases. Local firms do not necessarily lag behind MNEs in terms of resources and therefore a distinction between local firms of varying degrees of resource bases or other sources of competitive advantage (e.g. price-based) could shed more light on the importance of alliance structures. For example, small, resource-disadvantaged local firms suffering from cost inefficiencies may collaborate with a more sophisticated MNE which may be running its production facilities at an optimum level and thus, help local firms avail of an improvement in their cost structures (Sharma, 2008, 2009). On the other hand though, some local firms may already possess manufacturing processes resulting to high quality levels (Sharma, 2010) and thus, alliance formations may not necessarily enhance the competitiveness of the organization. This variation in the sample will be useful given that firms with limited resources benefit more than affluent partners in an inter-organizational configuration (Stuart, 2000).

References


