The advantage of multinationality and local firms' competitive tactics in a culturally plural environment

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Abstract:
Ownership advantages of multinational enterprises (MNEs) are often equated with competitive advantages their subsidiaries enjoy in given markets. Therefore, MNEs' subsidiaries are seen as possessing resources that allow them to compete in a better fashion vis-à-vis domestic rivals. This paper shows that the purported resource superiority of multinational firms is vulnerable and thus, the ownership advantages of MNEs do not translate into sustainable competitive advantages. Paradoxically, this is the case even in a culturally plural context where the market is comprised of multinational consumers. The reason is the formation of strategic alliances spearheaded by local firms, which, in this way, extend their resource base and match MNEs' ownership advantages.

Introduction

The focus on the 'battle' between foreign and local firms has occupied a significant position in the international business literature (Morimoto and Chang, 2009; Xu, Pan, Wu and Yim, 2006; Havrylchyk, 2006; Boardman, Shapiro and Vining, 1997; Michel and Shaked, 1986; Lee and Kwok, 1988).Within this battle, it is often suggested that MNEs' ownership advantages are equated with a resource base, which is superior to that of the local firms' (Boardman, Shapiro and Vining, 1997; Dunning, 2001; Anastassopoulos, 2003). This superiority is manifested in value-added innovation processes and technologies (e.g. Tsang, Yip and Toh, 2008), advanced marketing skills (e.g. Nachum & Rolle, 1999), market knowledge and consumer insight (e.g. Brouthers et al., 1999), strong channel-related resources (e.g. Das & Teng, 2000) or managerial and organizational skills and processes (e.g. Zaheer, 1995). Thus, the unique, transferable across borders resources of MNEs (Dunning, 2001; Brouthers, Brouthers & Werner, 1996) stemming from international experience, larger size or financial status (Tsang, Yip and Toh, 2008; Pitelis, 2006) portray MNEs as privileged entities with regards to the generation of competitive advantages (Cho & Lee, 2004; Kogut, 1985). Pitelis (2006) building on Hymer (1976) stresses that even multinationality per se generates distinct advantage for the MNE. On the other hand, local firms are often seen as possessing a limited resource-base (Dunning, 2001; Kogut & Kulatilaka, 1994).

This advantage of multinationality, though, is the one side of the same coin which also depicts 'liability of foreignness' (Hymer, 1976). This liability implies that MNEs' lack of empathy with local contexts is an inherent disadvantage. However, this disadvantage is not an inhibiting force for the MNE but rather works out as a catalyst and induces the need for compensation (Zaheer, 1995). Therefore, MNEs that eventually decide to commit resources abroad, proactively equip their subsidiaries with unique, superior than local firms' resources (Mata & Portugal, 2002; Peng, 2001) which constitute subsidiary-specific advantages (Rugman & Verbeke, 2001). However, the question whether ownership advantages are indeed beneficial for the MNEs is '*a fundamental yet neglected research question*' (p. 436) which '*has been rarely investigated'* (Tsang, Yip and Toh, 2008, p. 424).

Additionally, the business literature presents a major lack of research on how local firms confront the challenges of competing against better-resourced MNEs with relevant ownership advantages (Chang and Xu, 2008). Research may have a profound empirical focus on multinational firms' strategies and performance outcomes but nevertheless the focus on local firms, which constitute an integral part of the competitive environment, is rather limited. Even more specifically, in part of the international business literature, local firms are best seen as passive recipients of technology spillovers and not as active competitors in a given market (Chang and Xu, 2008). As the same authors characteristically note, 'research in strategic management has long studied multinationals' strategies and performance in overseas markets… Yet it has typically studied these phenomena *only from the perspective of multinational firms*. Except for studies on joint ventures, it has paid little attention to local firms, which compete with multinationals in local markets' (p. 495).

This lack of knowledge on the purported advantage of MNEs and the responses of local firms is even more manifested in contextually idiosyncratic environments. Thus, this study adopts a local firm's perspective and aims to explore this 'battle' between multinational and local firms in a culturally idiosyncratic context that resembles an international arena. In this way, we believe that we contribute towards 'healing' part of the 'major conceptual and technical problems' of the relevant literature, which has 'neglected… the competition that local firms might pose to foreign entrants' (Chang and Xu, 2008, p. 497).

Building on Berry (1997), we call our focal contexts as *culturally plural* i.e. markets, which, within their confines, include a multicultural consumer base. One can identify several markets where multi-culturalism of consumers is evident such as U.S. as a result of high immigration (Cui and Choudhury, 2002), Dubai or Singapore as a result of expatriate professionals (Stahl, Miller and Tung, 2002), China or India as a result of inherent racial pluralism (Chung and Wang, 2006), the United Kingdom as a result of international students (Kashima and Loh, 2006) and Portugal, Greece or Spain as a result of international tourists (Poulis and Yamin, 2009). These culturally plural markets are "…*a small scale model of the global market*" (Cui, 1997 p.125; Chung and Wang, 2006) which present challenges and opportunities for both domestic and international firms. For example, Poulis and Yamin (2009) have shown how such contexts are utilised as leverages to firms' internationalization processes whereas Rolfe et al. (1993) indicate the opportunity for international firms to exploit high brand familiarity abroad. However, due to the multicultural consumer base of a culturally plural market, MNEs seem to possess a privileged 'arsenal' that includes *strong brand/corporate awareness* and *enhanced consumer-related knowledge*. Therefore, such culturally idiosyncratic contexts lend themselves to the assumption that the advantage of multinationality is even more reinforced in such contexts and thus, liability of foreignness for MNEs is weakened. We work with and explain this assumption further with the purpose of shedding more light on the following question:

In this enhanced multicultural scene, how local firms counterbalance their property and knowledge-based disadvantages and match their multinational counterparts' more fitting resources?

We explore the question through an analysis of qualitative data taken from six local firms operating in the culturally plural market of Greece. In this way, we aim to contribute to the literature, which focuses on characteristics, strategies and outcomes of local firms competing against better-resourced MNEs. In order to achieve this, we have structured the study in the following way. First, we explain the contextual background of the study, then we visit the literature with the purpose of developing relevant propositions and we present the model that emerges from the theoretical analysis. We then explain the research design and methodology of the study and we present findings that helped us explore our theoretically-derived propositions. We conclude by discussing findings, suggesting avenues for further research and highlighting limitations of this effort.

The contextual background of the study

The environment in which firms operate, often presents opportunities which they have to exploit better than competitors (Nordman & Melen, 2008). Thus, it has a significant impact on strategy-making and on firms' potential to generate competitive advantages (Aragon-Correa & Sharma, 2003; Kogut, 1985). However, environmental opportunities are not equally 'exploitable' by all firms in a market since competitive intensity limits their ability to avail of commensurate benefits (Auh & Menguc, 2005). Therefore, in their efforts to exploit environmental opportunities, firms configure resources in a fitting way that reflects such forces as competitive pressures (Newbert, 2007; Das & Teng, 2000).

This paper builds its arguments around such environmental opportunities. In particular, culturally plural markets which are characterised by a multinational consumer base as a key feature of the macro environment form the contextual background of the study. As indicated previously, many countries such as the U.S., the U.K., China, India, Dubai, Singapore or Spain are multicultural due to e.g. settled immigrant/racial communities or vicarious mass migration (Appadurai, 1996), with key business authors such as Steenkamp (2001) stressing the need for more research around their particularities.

Out of these countries, we decided to focus on the culturally plural market of Greece for reasons of convenience but primarily because there, the generated multicultural environment presents opportunities for firms, which are clearly manifested. Greece is seen as a single-country market, which incorporates a significant number of foreign consumers of fast-moving consumer goods; the tourists. In a broader context, in a number of countries, there is a large influx of foreign consumers, or tourists, from many countries and for a significant part of the year. As can be seen from the following table, for developed countries with mature markets such as France, Spain or Austria the annual influx of tourists collectively exceeds the population of these countries by large margins.

	Tourists arrivals	**Domestic population**
France	79	60
Spain	58	40

Italy	41	58
Austria	20	8
Greece	15	11

Table 1: Foreign and domestic consumers in a country (*2006 data in millions, World Tourism Organization**)*

The main characteristic of such idiosyncratic contexts is that tourism transforms a relatively homogeneous national market into a multicultural one. In a sense, during the tourist season, firms face the 'international' task of serving not only the 'native', permanent population but also a culturally plural group of consumers on a temporary basis per annum[1]. Clearly not only tourism-related firms (e.g. hotels, tour operators, travel agents) are affected. Tourists are also consumers of 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. Therefore, German tourists in Spain or American tourists in Mexico create additional challenges for all firms selling such products.

Our aim is to understand how local firms in such contexts compete against MNEs which seem to be advantaged by the multicultural elements of the context in addition to the 'normal', well-documented ownership advantages they possess in mainstream, non-idiosyncratic markets; in particular, MNEs in culturally plural markets also enjoy higher corporate/brand awareness and enhanced consumer-related knowledge, something which they wouldn't necessarily possess in a culturally single environment.

LITERATURE REVIEW AND PROPOSITIONS

[1] This market extension that occurs is of importance not only in countries such as those mentioned earlier (Greece, Austria, Spain, Portugal, France etc.) where numbers of incoming tourists collectively exceed domestic population by large margins but also for any country where incoming tourists may account for a managerially-wise meaningful segment for non-tourism related firms within the domestic market (e.g. Italy, Turkey, Mexico, Malaysia, Thailand, Egypt etc.)

Knowledge and culturally plural markets

International business research has clearly manifested that knowledge (or lack of it) is a major factor of success (failure) for both large and smaller businesses operating in multicultural environments. For example, lack of knowledge about foreign markets is recognized as a key impediment to firms' internationalization processes (Johanson/Vahlne 1977; 1990; Luostarinen 1979; Denis and Depelteau 1985; Johanson and Wiedersheim-Paul, 1975; Eriksson and Chetty, 2003). Research, focusing specifically on export barriers also highlights the importance of knowledge. For example, Leonidou (2004), by pulling together results from 32 empirical studies, ranked a number of barriers in terms of the overall impact. Lack of knowledge is invariably ranked as the factor with the highest negative impact on SME internationalisation. Moreover, empirical results show that enhanced knowledge generated by international operations creates more opportunities than relying solely on internal capabilities (Inkpen, 1996 and Osland and Yaprak, 1995). Therefore, a substantial number of studies dealing with the issue of knowledge creation in the international business literature suggest that the knowledge variable is of critical importance for firms (Kogut and Zander 1993; Yang et al. 1992; Liesch and Knight 1999).

Even more specifically, MNEs as networks of subsidiaries have the chance and proactively try to 'own' relevant knowledge resources through intra-organizational, knowledge transfer and information exchange processes. The international business literature has shown extensively how the effective collaboration via constant communication with sister subsidiaries and HQ enhances the ability of the MNE subsidiary for local responsiveness (Rugman and Verbeke, 2001; Ghosal, Korine and Szulanski, 1994; Calantone et al., 2006). Specifically, the international business literature refers to forward (between HQ and subsidiaries) or lateral (directly among subsidiaries) knowledge flows facilitated by open communication channels throughout the organization and has indicated their contribution to the performance of the subsidiary in a foreign country (Yamin and Otto, 2004; Mudambi and Navarra, 2004; Gupta and Govindarajan, 2000; Cadogan et al., 2002)

In the present study of a culturally plural market, this dimension has a significant weight because the local subsidiary has to behave as if it was the headquarters of the firm serving diverse, multi-national markets. Therefore, the exchange of information within MNEs' entities in this study is considered as even more critical due to the market's cultural plurality. For the context investigated here, information/knowledge exchange may relate to:

- information about foreign consumers' behavior and a general experience of the challenges of addressing to a multicultural audience (whereas local firms do not have this information or experience)
- foreign consumers' preferred brands and consumption patterns (whereas local firms do not have this information),
- sister subsidiaries' practices and performance in similar culturally plural environments such as Spain or Mexico (whereas local firms do not have this possibility for information).

Therefore, one can assume that the growth of the market size and the phenomenal change in the market's ethnic status quo create opportunities indeed, which MNEs and local firms in the fast-moving consumer good (FMCG) sector try to exploit. In the course of this competition, firms that possess the most fitting advantages and resources will manage to reap the commensurate benefits of this ethnic transformation and market growth. However, within this idiosyncratic context, a logical assumption can be made. Due to the market's multinational characteristics, it is the subsidiaries of MNEs that start with the first inherent advantage i.e. knowledge about foreign consumers thanks to their subsidiaries' network (whereas local firms do not have such a possibility for knowledge).

Corporate/brand awareness and culturally plural markets

As far as corporate/brand awareness is concerned, a main premise behind the alleged brand superiority of global brands is the familiarity concept (Cheng et al., 2005); consumers are familiar with the properties of the brand and this leads to favorable purchasing. Similarly, the much-cited appeal of global brands offered by established MNEs (Yip, 1989) is expected to be manifested in a culturally plural market as well. International marketing authors such as Buzzell (1968) and Alashban et al. (2002) have suggested the superiority of global brands among international travelers as a strong likelihood. Thus, brands conveying familiarity or trustworthiness (Paliwoda, 1999) are expected to be advantaged in a foreign environment. Earlier findings in the consumer behavior literature also support that it is less risky for consumers to buy a brand that has already been satisfactory than buying a brand which they haven't experienced before (Engel, Kollat and Blackwell, 1973).

In a similar vein, Quan and Wang (2004) state that tourists' consumption patterns for food products follow the same patterns while at home. This observation is largely relevant for this study, which collects data from food and other fast-moving consumer goods industries. Additional sources from the tourism literature offer support to the fact that the familiarity of an 'environmental bubble' in a tourist setting is much appreciated by tourists. Cohen (1979), probably the most-cited scholar in the field of tourism studies, suggests that many tourists look for something familiar around them that can remind them of home (e.g. newspapers, compatriots). Carr (2002) also suggests that the deep-rooted habits of tourists cannot be simply left behind and thus, these retained social elements (called the residual 'culture') follow tourists to their destination (Bystrzanowski, 1989). Thus, while tourists' behavior often differs from that in the home environment, yet many researchers have found that tourists retain home behaviors in the tourism environment (Crick-Furman and Prentice, 2000; Currie, 1997; Krippendorf, 1987; Mannell and Iso-Ahola, 1987).

Therefore, the much-cited familiarity-seeking behaviour of tourists has consequent implications for firms. MNEs' brands, as their often most invaluable property/asset, reflect this demand of consumers for a familiar offering whereas local firms are expected to ‘suffer’ from brand unawareness. Thus, the second additional advantage of MNEs that is induced by the multicultural features of the context has to do with the fact that they enjoy high levels of corporate and brand awareness among tourists/foreign consumers in tourist-receiving countries (whereas local firms do not enjoy such awareness).

Thus, MNEs are seen as possessing relevant consumer knowledge and enjoying corporate/brand awareness as an inherent part of their ownership advantages. Motivated by these theoretical observations for culturally plural markets, we aim to see whether the local but ‘international’ context becomes a source of additional advantages for MNEs indeed. At this point, an important distinction has to be made. Such MNEs’ ownership advantages may be totally irrelevant or even inappropriate in the course of exploiting the ‘purely local’ Greek market during winter. For example, a global brand image may even have negative connotations among local consumers (see e.g. Amine, Chao and Arnold, 2005).

The local perspective

On the other hand, domestic firms seem unable to avail of the relevant macro-environmental opportunity stemming from the culturally plural composition of consumers. This is because these firms are often seen as possessing resources which are less fitting than the ownership advantages of their multinational counterparts (Dunning, 2001; Anastassopoulos, 2003). Thus, the more MNEs proactively equip their subsidiaries with unique, superior than local firms’ resources (Mata & Portugal, 2002; Peng, 2001) which constitute subsidiary-specific advantages (Rugman & Verbeke, 2001), the more local firms must re-configure their resource base and employ strategies that counterbalance these inherent deficiencies.

A key issue, though, is that the resource-based view is not limited to resources possessed by a single organization. This paradigm has moved away from seeing resources as ‘endemic’ i.e. confined within the organizational boundaries of a single firm. Rather, it has extended its logic to inter-connected firms, which expand their resource base through alliances (Contractor & Lorange, 2002) or networks (Hadley & Wilson, 2003). Therefore, the assumption of ownership/control of resources by a stand-alone organization was a serious limitation of the resource-based view of the firm (Lavie, 2006).

Addressing this limitation, 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[2] (Zaheer & Bell, 2005), accumulation of organizational knowledge and learning (Grant & Baden-Fuller, 2004; Hyder & Ghauri, 2000) or enhanced internationalization processes (Ghauri, Lutz & Tesfom, 2003; Ling-yee & Ogunmokun, 2001; Ghauri & Holstius, 1996). Thus, the accumulation and exploitation of inter-organizationally embedded resources (even from dissimilar industries, Hennart & Reddy, 1997) as a form of resource expansion helps firms generate competitive advantages (Gulati, 1998; Hite & Hesterly, 2001).

Even more specifically, research has shown that such a form is especially preferred when a firm is in a vulnerable strategic position (Eisenhardt & Schoonhoven, 1996) and when these resources are essential for the immediate present (Das & Teng, 2000). Such forms of cooperative relationships, therefore, are often driven by the urgent need for a flow and integration of resources that address such challenges of the external environment as competitive pressures from better-resourced MNEs.

These two antecedents of alliance formation - immediate need for enhanced resources and resources used to enhance weak strategic position are characteristics of local firms operating in a culturally plural market. Poulis (2008) has shown that local firms in such contexts are often found in a weak position compared to their multinational counterparts and thus, are in an immediate (due to time constraints) need for resources in order to avail of the market that is generated. In this study, due to local firms' lack of knowledge and awareness among consumers, these firms need property and knowledge-based resources

[2] However, research has also shown that such an approach can have a flipside manifested in reduction of innovation incentives (e.g. Li & Zhou, 2008)

that will counterbalance this weak position. Thus, building on Eisenhardt & Schoonhoven (1996) and Das & Teng (2000), we propose the following:

P1: Local firms in a culturally plural market will counterbalance the relative lack of knowledge and property-based resources through the formation of alliances with other firms

Thus, ownership advantages of MNEs in a culturally plural market are not sustainable sources of competitive advantage due to resource-seeking alliance formations spearheaded by local firms. These resources may be tangible or intangible (Grant, 1991), physical, human or organizational capital resources (Barney, 1991) and may be built through various forms of alliance structures such as equity/non-equity alliances (Gulati, 1998) or unilateral/bilateral contract-based alliances (Das & Teng, 2000). The important thing though, is that the literature has suggested that each type of such alliance structures fits best with a given resource-seeking motivation of a partnered firm. This means that property and knowledge-based resources (Miller & Shamsie, 1996) are acquired through diverse modes of alliances. For example, Das & Teng (2000) claim that a joint venture is particularly fitting for firms that aim to gain access to knowledge-based resources whereas, Grant & Baden-Fuller, (2004) claim the same with strategic alliances. Gulati (1998) claims that product development resources are best achieved through networks while Das & Teng (2000) emphasize the role of alliances for enhancement of distribution-related resources (Das & Teng, 2000).

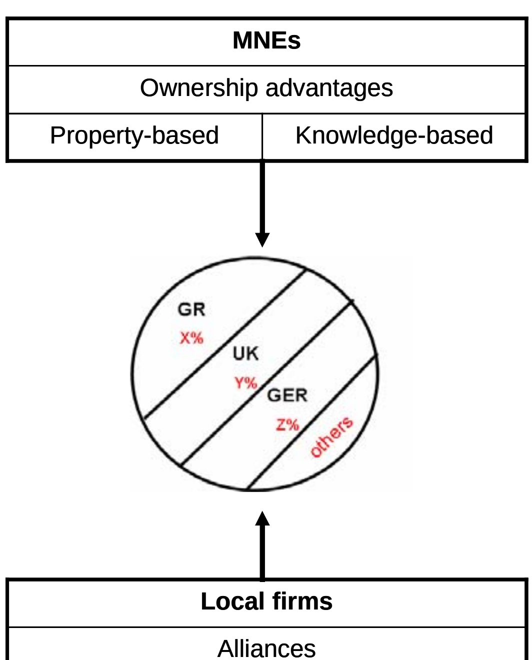
Due to the plethora of suggestions with regards to the configuration of resources and alliance formations, one cannot safely extract a conclusion on which resources fit best with which alliances. We can just imply that the sharing of ownership that takes place in equity alliances makes them mostly fitting for accessing other firms' property-based resources. An alliance mode such as franchising, joint production or licensing is fundamentally based on sharing of property and this distinguishes these types of alliances from 'looser' forms i.e. non-equity alliances.

On the other hand, knowledge-based resources do not pre-suppose exchange of ownership or property. Knowledge acquisition can be achieved through ways which do not commit the firm to share part of its property to its partner and are generally recognized as looser forms of inter-organizational relationships. Thus, modes such as informal networks, joint promotion schemes and distribution agreements enhance the knowledge base of the firm without commensurate effects on ownership structures. Based on these characteristics, we can propose the following:

P2: Local firms in a culturally plural market will counterbalance the lack of property-based resources through the formation of equity alliances with other firms

P3: Local firms in a culturally plural market will counterbalance the lack of knowledge-based resources through the formation of non-equity alliances with other firms

The reality the aforementioned propositions try to reflect is represented in the following graph. MNEs and local firms try to exploit the enlarged market size of the country but the challenge stemming from its culturally plural character gives rise to a contextually idiosyncratic competitive game. On the one hand, MNEs try to avail of their property and knowledge-based ownership advantages which are reinforced through intra-organizational processes whereas local firms try to counterbalance their disadvantages through the formation of alliances with other firms. Hereafter, we will try to explore the a priori propositions but first, a discussion on the methodological choices will be offered.



5. Methodology

This work is part of an overall project, which investigates strategies in a range of leading FMCG organizations operating in culturally idiosyncratic contexts such as Greece. The scope of the overarching research project made a qualitative, case study-based approach the most viable means for robust results due to the topic's purely exploratory nature. The effort matches with the fundamental objective of qualitative research (Silverman, 2000), which is to uncover and illuminate practice and gain a deeper understanding of practices in under-studied contexts. In particular, we were interested in uncovering the forces that shape strategies of local food and beverage (F&B) firms in a highly competitive, non-permanent culturally plural environment.

We thus, adopted a case-based methodology, which is the preferred methodology when currently 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) following a literal replication logic i.e. each case was selected because it predicts similar results (Alam, 2005). These results refer to local firms that compete against MNEs in the culturally plural arena of Greece. This replication sampling logic resulted to the selection of six local firms for which the intensity of the phenomenon is clearly manifested.

Cases were selected after a careful direct observation technique in tourism and non-tourism related areas of Greece. We focused only on FMCG firms which are active in both areas throughout the year i.e. they sell their products to both foreign and local consumers and at the same time, they face competitive pressures in both areas. This method of direct observation helped us eliminate firms which act as temporary, opportunistic players in the industry such as sporadic importers or sellers of souvenir-types of products. Our focus has only been on FMCG firms selling products that can be found in virtually every country where culturally plural consumers come from (e.g. ice creams).

The final sample followed the maximum variation sampling logic (Patton, 1990) i.e. we aimed at having an as wide representation of FMCG firms as possible. Thus, the sample of firms consists of a food retailing case, two packaged food firms, a beverage firm, a cosmetics firms and one tobacco firm offering 15 interviews in total (please see Table 2). All firms are active in the market for several years and they have acknowledged the importance of the tourism-induced opportunity for their operations. Respondents primarily included executives from the marketing or sales department 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 persons for answering our questionnaire. Thus, due to each firm's own judgment, the sample includes respondents from several hierarchical levels and diverse departmental backgrounds.

Table 2: The sample and respondents

Cases	Sector	Respondents
Case X1	Food Retailer	1 Network and 1 Operations Manager
Case X2	Packaged Food	1 Group Product Manager and 1 Associate Marketing Manager
Case X3	Packaged Food	2 Product Managers and 1 Associate Marketing Manager
Case X4	Beverages	1 Marketing Manager, 2 Regional Sales Manager

		and 1 Senior Brand Manager
Case X5	Cosmetics	1 Associate Marketing Manager and 1 Group Product Manager
Case X6	Tobacco	2 Product Managers

Individual in-depth interviews with the 'nominated' respondents were conducted within a five-month period. Personal interviews are credited as being a largely valid method of data collection especially, in the international business field (Marschan-Piekkari, Welch, Penttinen and Tahvanainen, 2004; Yeung, 1995) and indeed offered an abundance of information. Apart from the richness of information they provided, the much-needed empathy and direct communication that the interviewer developed with respondents, the control over the data collection procedure and the chance for dissolving ambiguity or probing further analysis in the view of the present researcher have compensated for the drawbacks of cost and time that this approach usually entails (Hall and Rist, 1999). Interviews started with unstructured questions and allowed respondents to freely express their knowledge and experience regarding the topic of investigation. The questions didn't reduce the flexibility that is required in a qualitative study and were susceptible to changes during the interview that allowed expansion and better illustration of responses.

Data analysis commenced with the transcription of interviews and then, data reduction took place with the purpose of '*selecting, focusing, simplifying, abstracting and transforming the data*' (Miles and 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 the only viable way to counterbalance MNEs' ownership advantages. In order to triangulate findings and enhance the trustworthiness of the research, additional sources of information were collected. We managed to secure interviews with collaborating local distributors, wholesalers and retailers, we reviewed corporate documents and secondary data in databases such as

Euromonitor, which altogether allowed a concrete triangulation of findings by key informants (Miles and Huberman, 1994).

Last but not least, we would like to note that Greece was chosen as the contextual background of this study since there, the manifestation of the idiosyncrasy of an culturally plural market is dominant. Greece is a country of 11 million inhabitants, which is visited by more than 15 million tourists/consumers every year. Within this non-typical environment, numerous local firms compete against MNEs in order to avail of the opportunity that this influx of consumers brings.

Exploring Propositions

Within-case analysis indicates that all sampled local firms resort to strategies of resources extension through alliances. In this way, they manage to confront the challenges of the new market context that is created. This external pool of resources allows firms to counterbalance inherent resource-related 'deficiencies' 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 the cases' resource base (with regards to knowledge and property-related resources). Representative quotes from cases are highlighted with bold, italic letters whereas letters will be used whenever necessary to hide firms' identity (as requested by respondents). Quotations *'from at least some of the cases'* are seen as enhancing the validity of the findings (Eisenhardt and Graebner, 2007, p.29) and illustrate the linkage with our stated aims.

For example, in case X2, we witness the alliance of a packaged food seller with foreign firms that are not MNEs but are leading their local markets (e.g. the Swiss market leader in Switzerland or the Spanish market leader in Spain). Non-MNEs market leaders in single European markets have formed an alliance on a pan-European level (called the Z Consortium where Z is the product category). Firms formed this alliance in order to gain knowledge and exchange business practices that allow them to compete better against

MNEs in their domestic arenas. Such a network provides ideas, information and knowledge that help local firms treat international consumers better than MNEs could expect. Since many of the collaborating firms dominate the markets where tourists come from e.g. Sweden or Italy, local firms in Greece have a first-hand opportunity to counterbalance a major impediment towards satisfying consumers' needs i.e. their lack of knowledge on what foreign consumers prefer. 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 consumer insight equally to both MNEs and local firms, consumer knowledge ceases to be a source of competitive advantage for any of those entities. The following quote from a Group Product manager of X2 is characteristic of this:

There is an alliance on a pan-European level called the 'Z Consortium'. Members are firms that lead or have a strong presence in their national markets but are not multinational firms. This alliance 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.

The literature has clearly documented that firms often enter alliances with the expectation of learning new knowledge (Lavie, 2006). In this sense, interconnected firms use alliances in order to reduce market uncertainty and lack of knowledge and consequently to stabilize the competitive environment (Eisenhardt & Schoonhoven, 1996).

In another case, X3, we witnessed the alliance of a packaged food seller with a supplying MNE. A local packaged food seller has found difficulties to penetrate the tourist market and compete against MNEs. This is because of its inherent brand unawareness among foreign consumers. In order to counterbalance this and in order to exploit the opportunity of tourism, it formed an alliance with a widely popular MNE that resulted to a collaborative new product development process. The MNE serves as a supplier of raw materials to the firm but also has a successful B2C activity with its branded packaged products. 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) whilst 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 resources of the global ally that are considered important for serving the familiarity-seeking segment of the tourist market. 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. Thus, we developed a series of products in collaboration with G (the global supplier)… ***whose common characteristic is the coating with G's chocolate. We did that because the brand name of G has not only high awareness levels but also high customer loyalty.***

X3 has acknowledged its inherent disadvantage of brand unawareness and counterbalanced this shortcoming through a collaborative new product development process with an international firm from a similar product sector. Literature has shown that such collaborations offer significant advantages over intra-firm strategies (Perks, 2000). The objective of the exchange of resources has been to combine global brand awareness with local groundedness stemming from the origin of the brand's provider. This outcome of a supplier-customer relationship is in line with Afuah (2000) and Dyer (1996) who found that supplier's capabilities influence the competitive advantage of customers.

Moreover, the X4 case is another manifestation of an alliance, this time of a local beverages seller with a snack food producer. X4 sells a brand that addresses to the experimenting nature of tourists and their quest for tasting the local produce. However, many foreign consumers are unaware of the brand since it 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, the X4 jointly promotes its brands with a powerful snack food producer 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 to expand 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 snackfood 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.***

This finding is in line with researches which stress that the market power and brand reputation of a given firm encourages others to form alliances with this firm (Saxton, 1997; Dollinger, Golden and Saxton, 1997).

Cross-case analysis thus, verifies Proposition 1 since it clearly indicates that firms try to access a broad range of property and knowledge-based resources through several alliance formations. This alliance-making activity is triggered by the idiosyncratic features of the culturally plural market of Greece with the purpose of counterbalancing the fitting ownership advantages that MNEs possess. The emerging picture from the cross-case analysis is illustrated in Table 3.

- The second column shows the alliance structures local firms used as indicated in the within case analysis
- The third column indicates the motive of local firms towards resource acquisition through alliances.
- The fourth column shows the respective ownership advantage MNEs possess, which the local firm aspires to counterbalance through the alliance formation

Table 3: Resources/alliances of local firms and ownership advantages of MNEs

	Type of alliance structure	**Aim of alliance formation**	**Respective ownership advantage of MNEs**
Case X1	Franchising	Enhanced Retail Presence	Brand awareness
Case X2	Informal Network	Knowledge Acquisition	Knowledge of consumers' behavior
Case X3	Joint production	Counterbalance Brand Unawareness	Brand awareness
Case X4	Joint Promotion	Enhanced Retail Presence	Expanded distribution
Case X5	Distribution agreement	Enhanced Retail Presence	Expanded distribution
Case X6	Licensing	Counterbalance Brand Unawareness	Brand awareness

Thus, we see that firms indeed utilized alliance formations such as joint promotion or joint production in order to counterbalance their lack of relevant knowledge or property-based resources. Through their responses, they indicated that this is the only way through which they could match the ownership advantages of MNEs with regards to enhanced knowledge and awareness.

- **2nd proposition:** *Local firms in a culturally plural market will counterbalance the lack of property-based resources through the formation of equity alliances with other firms*
- **3rd proposition:** *Local firms in a culturally plural market will counterbalance the lack of knowledge-based resources through the formation of non-equity alliances with other firms*

In table 3, we saw different aims behind alliance formation. Based on these observations, we can note down the taxonomy that emerges. Table 4 configures the quest for knowledge and property-based resources with alliance structures and indicates which cases use each combination:

Table 4: Alliance structures and resource bases in a culturally plural market

		Alliance structure	
		Equity	*Non-equity*
	Property-based	X1, X3, X6	X4, X5
Resources	*Knowledge-based*	-	X2

Cross-case analysis of data clearly indicates that firms access property and knowledge-based resources through the following alliance structures (Yoshino & Rangan, 1995): franchising, informal networks, joint production, joint promotion, distribution agreement and licensing. These can be categorized, under the most common typology umbrella of alliances (Gulati, 1998), as *equity* (franchising, joint production, licensing) and *non-equity alliances* (informal network, joint promotion, distribution agreement). Whereas proposition 4 is verified, proposition 5 is not verified by our sampled cases. It seems that equity-based alliances lend themselves to the acquisition of property-based resources whereas knowledge-based resources are acquired through both equity and non-equity alliances.

Discussion of findings

We showed that the literature often considers ownership advantages of MNEs as sources of competitive advantages (Cho & Lee, 2004; Kogut & Kulatilaka, 1994), an observation which seems to be even more evident in a culturally plural context. Enhanced knowledge of foreign consumers' behavior, enhanced brand awareness and extended channel presence seem indeed fitting with the 'international' character of a culturally plural market. Therefore, ownership advantages are resources which can generate competitive advantages for MNEs over local firms.

However, the study showed that not all contexts present market conditions of stability and uni-nationality. Culturally idiosyncratic contexts such as U.S., U.K., Spain, Singapore or China do not conform to this 'typical' context and we do not know how local firms and MNEs compete in these environments. In particular, we were interested in exploring whether the conventional thesis of 'stable' ownership advantages of MNEs may need to be abandoned due to the unstable, cultural particularities of some markets.

The study indicated that MNEs' advantages are indeed vulnerable due to alliance formations by local firms. The latter perceive alliances as a viable means to compete against MNEs that enjoy high levels of awareness among foreign consumers and know how these consumers behave. As a result, ownership advantages do not necessarily translate into competitive and certainly not into sustainable ones. A proactive engagement with inter-organizational relationships generates advantages for local firms which stem from the extended resource base of the alliance. In this respect, the much-cited ownership advantages of MNEs in stable, uni-national markets turn out to be unsustainable sources of competitive advantage in culturally plural contexts.

This strategic direction of local firms is in line with researches which highlight the importance of inter-organizational relationships as a way of handling environmental turbulence and competitive pressures (Holm, Holmstorm & Sharma, 2005). Das & 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 help local firms 'rent' resources that reflect the ownership advantages MNEs enjoy and as such they are able to compete in a similar fashion towards exploiting the 'tourist' opportunity. This would be unachievable without the commensurate benefits associated with the participation in local/international alliances.

The variations in chosen alliance formations that were noted also agree with the note of Seabright, Levinthal and Fichman (1992) that the criterion for partner selection must be seen in fit/accordance with an opportunity set. Therefore, the fit between allied organizations' complementary resources and the contextual idiosyncrasies of the market we investigated was the dominant criterion for the selection of partner and type of relational structure. In this way, alliances led to resource-based competitive advantages for sampled firms (Stuart, 2000; Lavie, 2006).

Das and Teng (2000) stress that combining resource and market perspectives is particularly important for an appreciation of strategic alliances as a tool for attaining competitive advantage vis-à-vis rivals. We hope that this study found a balance between internal processes (resource seeking through alliances) and external challenges (multi-nationality of markets) thus, offering a more complete view of competition in culturally plural markets. Such markets, despite being archetypal manifestations of a globalised, inter-connected world, are under-researched.

Moreover, we believe that we added to the largely significant body of literature on inter-organizational relationships. This body is an essentially useful perspective of studying organizations' behaviour in an increasingly inter-connected world. In this acknowledged reality, analysis of organizations as unilateral entities competing for profits and resources becomes less relevant (Lavie, 2006). Elaborating on this, the present study showed that inter-organizational theories are vital for explaining competitive dynamics in contextually idiosyncratic markets such as culturally plural markets.

Last but not least, the contextual idiosyncrasies that we described and the subsequent implications for resource generation and alliance formation as sources of competitive advantage can be of particular importance for firms competing in similar contexts. The notion of intra-country national diversity is something that the literature hasn't fully addressed yet. However, such multinational, single markets tend to be the norm in many Western or developed societies. Expatriate professionals in Dubai, immigrants in the U.S., international students in the U.K. and international tourists in Greece create a web of mobile consumers and a new multinational reality in local markets which firms strive to address. This study showed that in order to satisfy these consumers' needs, firms try to possess fitting resources which can be totally different to the ones they need to possess in relation to the 'purely local' markets in which they operate.

As a result, it seems that if firms want to increase penetration into the culturally plural markets that are generated in their countries of operation, they must re-configure their resource bases. Through this study, we showed that a viable and relatively inexpensive way to achieve this re-configuration is through the formation of alliances with firms that own complementary resources.

Limitations and future research

This study does not have a prescriptive character nor does it aim to address issues of alliance performance. Nevertheless, it managed to show that some measures of alliance performance that use the alliance per se as the unit of analysis (e.g. achievement of goal for new product development, Deeds & Hill, 1996) have been definitely reached in the culturally plural market of Greece. This is not to claim any generalizability for any such given context and thus, this is a considerable limitation of this research.

Moreover, the study is restricted to the context of Greece, which is 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 and exploiting resources beyond one's firm may not be equally important in a stable environment. Indeed, local firms of our sample rely on their own resources for achieving competitive advantage among the stable, local market. Therefore, differences across stable and unstable contexts must be acknowledged in order to clarify the extent to which resource-sourcing from inter-connected firms is relevant for local firms. Due to the market’s idiosyncrasy, the appeal of alliance-based resource generation has been emphatically stressed in this study.

Last but not least, the study hasn’t addressed the issue of how sustainable competitive advantages stemming from alliance’s resource generation are in a culturally plural context. Rather, this study has adopted a static view which sees firms as competing for temporary advantages. This does not address the perennial issue of sustainable competitiveness but it can be partly explained by the non-permanent character of the consumer base in Greece. The limited length of stay of tourists and their respective rotation inevitably limit the extent to which sustainability can be attained; foreign consumers are not conducive to stable marketing stimuli nor market structure has a stable character with fixed distribution bases or same retail structures during the year. Nevertheless, the study hasn’t managed to address the issue of sustainability with the exploratory research design it has adopted.

Therefore, this research could benefit if supplemented by more studies in more contexts with similar idiosyncrasies that involve firms of varying size and levels of proprietary resource bases. Local firms do not necessarily lag behind MNEs in terms of resources and therefore a distinction between SMEs and larger local firms could shed more light on the importance of alliance structures. This seems as imperative given that smaller firms with limited resources benefit more than more affluent partners in a network (Stuart, 2000). Moreover, a longitudinal research will be able to address the problem of sustainability in culturally plural contexts in a more concrete way and explain whether the combination of proprietary resources of firms creates sustainable synergies for partners. This needs to be empirically documented in a long-term fashion since the theoretical premise behind alliances is that the combination of internal and external resources creates competitive advantages that are more sustainable or at least, more than advantages accrued from only internal resources (Lavie, 2006).

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