
Competitor networks: international competitiveness through collaboration

Competitor
networks

The case of small freight forwarders in the High-Tech Forwarder Network

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Abstract *The case of the global freight forwarding industry is one example where networks of small- to medium-sized enterprises (SMEs) are playing an increasingly important role. Internationalisation opportunities and competitive advantages may be obtained by SMEs in pooling their resources and exchanging information and expertise. This empirical case study examines horizontal collaboration between SMEs that consider their other network members, first and foremost, as competitors.*

Introduction

A common trend in the literature related to collaboration between small- and medium-sized enterprises (SMEs) in recent years has been the development of strategically managed collaborative industry networks, e.g. Lorenzoni and Baden-Fuller (1995); Johnsen and Johnsen (1999). Such studies have identified that great benefits may be obtained by SMEs in pooling their resources and exchanging expertise for a variety of purposes, such as technology development or international market development. However, few empirical studies to date have examined horizontal collaboration between SMEs that consider their other network members, first and foremost, as competitors. Most of the literature on business networks refers to those alliances or networks that can be established by customers and suppliers, often with a large focal firm driving the development of the network. Johnsen and Johnsen (1999) affirm that research about internationalisation through networks has been mainly studied from the point of view of the relationships between manufacturers and suppliers, not from the perspective of companies that can be competitors in the same market.

This paper seeks to address this research area by examining the development of a network of SMEs formed by competitors originating from a range of countries in Europe and North and South America, for the purpose of international market development. Harland (1995) refers to strategically managed networks as comprising firms that have improved their competitive



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position through more effective harnessing of the resources that the network may offer. Additionally, Easton (1998) defines an industry network as a connected set of actors involved in similar economic processes which convert resources to finished goods and services for consumption by end customers, whether individuals or organisations. Increasingly, industry networks are global in nature (Törnroos, 2000), enabling firms to capitalise on their network connections and the resources and specialist activities of actors within their networks.

International networking is not confined to large multinational firms. SMEs must focus on developing an international market presence, identifying partners to make the most of the opportunities that those international markets can offer (Blankenburg, 1995; Coviello and Munro, 1995). The trend of focusing on relationship and network development for internationalisation has not been limited to manufacturing industries, but involves many other industries within services and retailing (Christopher, 1992). However, research on internationalisation through networks has tended to focus on the networking process being driven by the influence and impetus of large manufacturing organisations (Lorenzoni and Baden-Fuller, 1995), in spite of the importance of small service and knowledge-based firms to the global economy. Such SMEs may be of particular interest, given that they may often be the source of important innovations, but possess limited experience capabilities and management resources for bringing their innovations to international markets (Coviello and Munro, 1997). Knight (2000) affirms that despite the importance of small- and medium-sized companies to international business, little research has considered the role of SME management and its link to marketing strategy, tactics and corporate performance. Despite the fact that SMEs have become crucial players in national economies and in world trade (Knight, 2000), relatively little is known about how these firms operate and prosper under globalisation or network internationally (Törnroos, 2000).

The case of the global freight forwarding industry is one example where SMEs are playing an increasingly important role in networks of business relationships (Doernte, 1999). The freight forwarding industry is made up of thousands of operators around the world that range from small family businesses to multibillion dollar companies. Figure 1 shows the main actors involved in the freight forwarding industry. As the shippers, which provide services to freight forwarders, are becoming more global in their approaches to

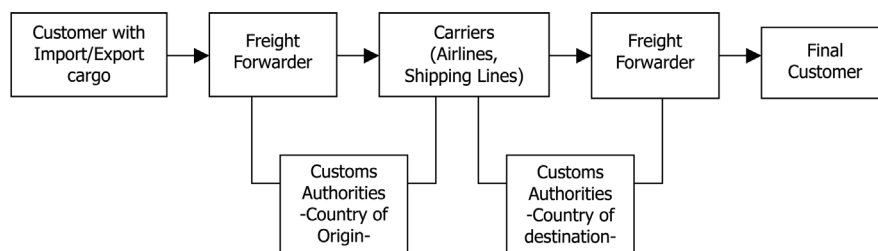


Figure 1.
Structure of the freight
forwarding industry

sourcing and logistics management, freight forwarders are finding that they also need to develop global network connections. Christopher (1992) states that effective management of logistics and supply can become a source of competitive advantage, supporting firms in achieving cost/productivity advantages and “value” advantage. A critical issue in supply network strategy is the allocation of activities within the firm and across network partners (Gadde and Håkansson, 2001), allowing firms to concentrate on their areas of core competence and create value within their internal and external networks. Value creation and its role in business network relationships is becoming an area of increasing interest (Blankenburg-Holm *et al.*, 1998) and enables firms to focus on combining internal and external resources in innovative ways. In international supply networks freight forwarders may constitute a crucial link and provide opportunities for value creation and competitive advantage in networks by combining their resources and activities with those of other firms and focussing on creating value by moving their materials faster at lower costs with superior customer service than competitors.

Christopher (1992) defines logistics as the “process of strategically managing the procurement, movement and storage of materials, parts and finished inventory through the organisation and its marketing channels”. However, from a network perspective, forming relationships with other firms, gaining access to their resources and linking with their activities is critical in connecting a firm to international supply networks (Gadde and Håkansson, 2001). The concept of supply networks views firms as interdependent and enhances each individual firm’s opportunities for improving their efficiency and effectiveness through co-operation with other organisations (Gadde and Håkansson, 2001). Networks may be characterised by trust between parties, commitment to relationships, mutuality of interests, interdependencies in capabilities of firms and the intensity of relationships (Ford *et al.*, 1986; Alajoutsijärvi *et al.*, 1999). Hastings (1993) states that the need for “quality, as well as the high costs and complexity of servicing global markets” is forcing organisations into collaborating with their clients, their suppliers and with their competitors in many new ways, and that as a result, many new types of network connections are being created. These connections may extend beyond dyadic relationships to wider networks (Lamming, 1993) where different and competing firms might share the control over technological, operational and marketing assets, and where companies can share or have access to others’ experiences and expertise.

Collaboration between competing firms may create favourable conditions for “inter-partner” learning (Dussage *et al.*, 1999), allowing one firm to acquire capabilities that they lack from a partner. Furthermore, when partner firms in a network are also competitors, there may be many opportunities for inter-firm learning (Johnsen and Johnsen, 1999). Competitors may be drawn to collaborate to learn from the experiences of others, to forge entry to new markets or to pool their resources to gain greater force and power in their networks (Johnsen and Johnsen, 1999). Networks formed by competitors may therefore offer

advantages for learning and widening the prospects of firms, particularly when each partner is located in a different geographic region. The influence of the differences in geographic focus may result in members of the network losing the fear of sharing valued corporate information and knowledge, that in other circumstances might threaten their market position if used by competitors. As members of the same network they will contribute to its strength, and in sharing information benefits may accrue to all network members.

With the increasingly complex global business scenario and reduction of trade barriers, more and more companies are looking outside their domestic boundaries for the relationships that will define their future business, add value to their activities and give access to global markets. The role of the freight forwarding agent becomes increasingly important for these companies, even more so in countries where these agents are the only organisations permitted to prepare the cargo in the airports and ports and deal with customs, for example, in Latin American countries (Krause, 2001). Owing to the interconnected nature of the global freight forwarding industry it may become increasingly difficult for smaller forwarders to compete without a worldwide network of associates (Doernste, 1999; Knight, 2000). Therefore, strong network connections may offer support in terms of an accurate information system and may assist in the smooth running of the whole operation, until the cargo arrives at its final destination.

This paper examines the empirical case of the development of an international network of regionally independent freight forwarders. It views the development of the freight forwarding network from the perspective of small freight forwarding firms, originating from many different countries throughout the world. The Hi-Tech Forwarder Network (HTFN) is an industry network where small freight forwarders have developed relationships with the aim of pooling their resources and activities to offer a freight forwarding service on behalf of other firms in the network. Thus, by connecting with freight forwarders in other countries and combining their resources and activities with those firms, the network of small firms aims to offer a more expansive service with a global reach greater than each individual small firm would be capable of offering alone.

The research will explore how a network comprising competing freight forwarders operates and will focus on the relevance of relationship and network theory (Ford *et al.*, 1998) to the behaviour of small- and medium-sized freight forwarders in business networks. The findings of the paper will focus on an evaluation of the business network concept, as a form of international collaboration for small- and medium-sized forwarders.

Literature review

Internationalisation of small firms in business networks

Internationalisation process literature has tended to reflect the situation of small manufacturing rather than service companies and has tended to view the process as incremental (Johanson and Vahlne, 1977; Johanson and

Wiedershiem-Paul, 1975; Clark *et al.*, 1997). The incremental approach considers that the firm moves in stages from having no regular export activities, passing to a stage when the firm starts exporting through representatives, followed by the establishment of an overseas subsidiary and finally the establishment of a foreign production facility. Internationalisation through these stages has been linked to the firm's acquisition, integration and use of knowledge of foreign markets and operations, and its increasing commitment to foreign markets (Clark *et al.*, 1997). However, in reality many companies are able to skip the stages described in these models, the most extreme example being those moving directly into global markets (Halliburton, 1997). Recent research specifically focused on small firms indicates that they may not follow the stages approach to internationalisation (Coviello and Munro, 1995). Rather, it has been shown that small entrepreneurial firms develop relationships which assist their internationalisation across multiple markets by giving access to new foreign market opportunities and the capabilities and resources required to implement marketing initiatives. Therefore, the development of relationships which support internationalisation may permit small firms to expand outside the boundaries of their domestic markets and lessen the risks associated with new market development.

Having an in-depth knowledge of foreign markets and the right connections in these markets is an important impetus to the internationalisation of small firms (Coviello and Munro, 1997). Indeed, networking is, in most instances, the method that entrepreneurs and small firms use to gain access to external resources (Jarillo, 1988). Small firms can attempt to support their activities and enhance their resources through networks that cross geographic boundaries (Johnsen and Johnsen, 1999). Network connections also provide access to innovations and technologies required to satisfy international customers (Ford *et al.*, 1998).

A business network may be defined as a set of connected exchange relationships between firms (Forsgren and Johanson, 1992). Håkansson and Snehota (1995) propose a network model formed by actors, activities and resources, where companies develop networks of relationships through connected activities, linked resources and related actors, all of the elements being interconnected and interdependent. The actors in a network are defined by the activities they perform and by the resources they possess. Through exchange processes with other firms' activities and resources, bonds are created and developed. Naudé and Turnbull (1998) affirm that managers need a better understanding of their own company's core skills and technologies and those of their suppliers and customers, since business relationships and network connections are tools through which companies can have access to others' skills and resources. In addition, these authors suggest that those resources acquire value when they are used by and become useful to other firms.

Logistics is understood as the link between the market place, where goods and services are offered, and the operating activity of the business

(Christopher, 1992). The scale of logistics covers the totality of an organisation's activities, from the management of raw materials through all the processes that lead to the creation of a finished product. The role of freight forwarders, in offering a logistics service, moving raw materials to finished products on behalf of customers, is a crucial link between markets and operations and freight forwarders play a critical role in business networks. Business networks encompass interconnected organisations involved in different processes and activities with the aim of producing value in the form of products or services (Gadde and Håkansson, 2001). This network of organisations may refer to networks of manufacturers and suppliers, however, it may also encompass networks of competitors (Johnsen and Johnsen, 1999). A network of freight forwarders may constitute a network in which firms are involved in a process of transporting cargo according to the requirements of a customer. This definition can lead to the interpretation of individual freight forwarders as major actors within their customers' supply networks. Consequently, if through the effective management of the supply network, customer companies can gain a competitive advantage, freight forwarders may provide advantages to their customers by transporting their materials faster and at lower costs than competitors. The inter-connected management of the processes that connect one forwarder with another (to offer a service), may enable firms to work faster and more efficiently than competitor forwarders outside the network. In this way the effective combined performance of activities of the forwarders' network as a whole may be of greater value than the activities that each one of its members could perform individually.

Networks as a source of competitiveness

The view of networks as reflected in recent research by the Swedish school of networks (Håkansson and Snehota, 1995; Gadde and Håkansson, 2001; Blankenburg-Holm *et al.*, 1998) is of individual relationships as parts of a larger whole – a network of interdependent relationships. Relationships are connected since what happens in one relationship affects positively or negatively the interaction in others. Hence, what happens in a relationship between two companies does not only depend on the two parties involved in the relationship, but also on a number of other direct or indirect relationships in which the two parties are involved. This approach to networks, as advocated by the Industrial Marketing and Purchasing Group (IMP), e.g. Ford *et al.* (1998), suggests that as a result of the complex interdependencies of networks, organisations may only manage, rather than control or co-ordinate in networks. This view contrasts with that of proponents of strategic networks (Jarillo, 1988; Lorenzoni and Baden-Fuller, 1995) where a strategic centre or "hub" of a network attempts to strategically direct the activities of firms in the network.

The strategic view of networks maintains that organised, co-ordinated networks sustain inter-firm collaboration and may contribute to the competitiveness of network members (Romano and Vinelli, 2001). Cunningham and Culligan (2000) made a study focussed on competition and the competitive

process within industrial markets by investigating the way in which firms both create and sustain competitive advantage. They argued that despite the co-operative nature of many business relationships the predominant force behind these relationships is the search for competitive advantage. Taking this competitive view of relationships implies that companies need to possess and offer competitive advantages superior to those of competitors. Being part of a network may enhance the capabilities of a company, through gaining access to others firms' resources and capabilities, thus broadening the scope of services offered. Kanter (1989) states that organisations see an opportunity to gain an immediate (but perhaps temporary) competitive advantage through alliances and partnerships and that these relationships may provide collaborative advantages. In developing and sustaining collaborative relationships, firms may develop a critical resource for internationalisation and inter-firm learning. Collaborative relationships open up possibilities that would not exist for firms acting alone (Kanter, 1994). Co-operative arrangements between firms can help small firms compete with larger firms, as through these collaborative relationships firms may gain flexibility and speed of access to new capabilities, accruing the benefits of the resources and skills of another organisation, but without the concomitant risks and responsibilities that come from ownership. Blankenburg (1995) suggests that within business networks, the emergence of mutual commitment in relationships over time leads to the development of interdependent activities and resources, increasing the level of productivity across the network. Business networks may, therefore, be considered a valuable source of capabilities, resources and possible competitive advantages. Through involvement in networks of business activity, firms may develop new business opportunities and gain access to stronger support structures of resources and capabilities against competitors and thus potential sources of international competitive advantage to leverage in relationships with customers.

A research situation: networks in the freight forwarding industry

Recent collaborative trends in the freight forwarding industry have been centred around strategic alliances which have the aim of developing access to worldwide networks (Krause, 1999). Indeed, a number of alliances between airlines and freight forwarders have recently been announced, such as the case of Deutsche Post, which has either acquired or developed alliances with many companies in the last two years, including major international forwarders such as Switzerland's Danzas and Air Express International (the largest US-based international freight forwarder). The new company known as Danzas-AEI will be the largest freight forwarder in Europe and the world's largest air forwarder (Sowinski, 2000). However, according to Gooley (2000), these alliances may be beneficial for large firms but small- and medium-sized forwarders will continue to have an important role in international supply networks. Despite all the technical advances, freight forwarding remains a "people business" and

shippers seek out the personal service provided by many small- and medium-sized forwarders.

Bradley (1999) states that several years ago researchers predicted failure in the freight forwarding industry as a result of many forwarders being unable to compete with integrated carriers that controlled every step of the transportation process. However, more recent research shows that freight forwarders are in a growth position, relying on specialist areas of expertise which are enabling the forwarding industry to grow and succeed (Bradley, 1999). Forwarders have an advantage in their variable cost structure, as they do not own or operate fixed transportation assets (like aircraft), they can react quickly to changing market conditions, for example through purchasing less space from their carrier partners. The flexibility of the forwarders' service offerings through doing business with many different carriers, enables them to offer a wide range of transportation modes. Recent technological developments in Internet-based communications are allowing even small forwarders to offer information services at relatively low cost that are comparable with those offered by integrated carriers. Networking between organisations such as freight forwarders, airlines and customs in different countries may soften the boundaries of each independent company and enable the creation of person to person communications, improving commercial relationships and connections between firms. Through the process of networking, firms will share information and work closely together in offering an improved service to customers. This may have the cumulative effect of making the network connections stronger and supporting the development of competitive advantages not only over each firm's direct competitors, but also within the industry as a whole. It is important to stress that a network comprising not only customers and suppliers, as could be the case between the forwarder and the airline, but a network formed solely by freight forwarders is the key unit of analysis in this study. In such a network – essentially a horizontal network of competing firms (Johnsen and Johnsen, 1999) – the approach to networking may be different from the typical form of vertical business networks where each actor has a specific role comprising different activities. Thus, a particular area of interest in this study is the nature of networking between small firms in networks comprising competitors performing similar economic activities.

Methodology

The empirical research involved a case study of a network of small- and medium-sized freight forwarders. The Hi-Tech Forwarder Network Inc. (HTFN) was founded in 1988 to "allow independent transportation providers to remain independent while offering customers integrated global transportation and logistics options within a reliable network of agents" (HTFN, 2001). The network comprises around 65 member companies in approximately 45 countries. The primary goals of the HTFN (2001) are to offer customers competitive pricing, timely transportation, individualised value added logistics services and integrated automation, while adhering to strict quality of service.

The method of research took the form of qualitative semi-structured in-depth interviews with ten SME members of the HTFN network located in North and South America and Europe. The respondents comprised owners and directors of the ten SMEs and the research aimed to explore the development of the relationships of the SMEs within the network and the influence of the network on these SMEs. The rationale for this approach is grounded in the relationship and network research of the Industrial Marketing and Purchasing Group (Ford *et al.*, 1998). Relationship and network research is particularly suited to a case study approach as a means of developing an understanding of the dynamics of business relationships and network connections. The use of case research is identified by Easton (1998) as being the most suitable method for examining business relationships and networks as it permits a clear examination of the causal links, interconnectedness and dynamism of the linkages and connections between firms. Easton advocates a “realist” phenomenological approach to examining networks, which is characterised by the belief that case research should “seek valid explanatory knowledge” (Easton, 1998, p. 75) by analysing and describing the causes which influenced a particular situation. The case study method permits description and explanation of phenomena in the context of their real-life situation and is suitable for the empirical work of this study as it should enable the authors to gain insight into the unique experiences of the SMEs in the HTFN network.

The aim of the research was to explore whether a horizontal network of competitors could give collaborative advantages and internationalisation opportunities for SMEs, within the specific case context of an international network of freight forwarders. To achieve this aim, a set of research questions was developed around the themes of the role of the network in the establishment of new markets, the relationships of network members, the influence of networking on customer relationships, competitive advantage through networking, growth and development of firms, local and international networking and the sharing of resources and reciprocity within the network.

Discussion of findings

Development of new markets

All of the companies interviewed answered affirmative to the question relating to the possibility of establishing business in new markets as a consequence of membership within the HTFN network. Indeed, the majority believed that being a member of the network represented a unique opportunity to establish business in every part of the world by gaining access to international contacts which would be difficult to develop through individual firm efforts. SMEs in the freight forwarding industry often possess limited resources to support the development of subsidiaries in different countries where their customers are located. However, the HTFN as a horizontal network gives rise to opportunities for developing and maintaining business connections around the world, relying on inter-firm co-operation with partners within the network rather than intra-firm subsidiaries. Having an almost worldwide coverage of competent freight

forwarder agents, with specialist capabilities and industry specific as well as geographic market specific knowledge, firms have opportunities to exchange information on products, markets, development opportunities and competition. This was highlighted by one interviewee from a small firm, who commented that after joining the HTFN network his firm gained access to developing "as many markets as members are available". The importance of trust between network members was highlighted by the fact that each freight forwarder agent has to place responsibility for entrusting the welfare of customers and consignments to another network agent who will attend the freight at the port of destination. In the freight forwarding business success, therefore, depends on the careful handling of every shipment and customer by another member of the network. Trust in the capabilities and commitment of the other party acts as the glue that binds the relationships between the freight forwarding firms. Thus, the exchange of information between the firms and the sense of trust that appeared to exist in their relationships were identified as relevant factors in developing business connections for internationalisation and the long-term growth of the firms.

The relationships of network members (or partners)

The perceptions of the members of the HTFN toward their network associates and the service that they were receiving from them depended heavily on the performance of the other agents involved. The answers received suggested that the majority of the companies interviewed were satisfied with the level of service offered by their partners within the network. Blankenburg (1995) has suggested that within business networks the emergence of mutual commitment in relationships over time leads to the development of interdependent activities, increasing the level of mutual productivity. The findings of this study suggest that the HTFN companies developed commitment to their relationships founded on their strong conviction and mutual commitment to excellent service when dealing with the handling of their partners' freight. The personal relationships developed through informal daily contacts, and through formal network meetings held twice each year, may help the firms to generate ties that contribute to the creation of a sense of belonging and commitment to the network, adding value to the activities of each firm individually and across the network.

Customer relationships

An important benefit of network membership identified by all companies was that the network allows them to offer an "almost worldwide" coverage of international forwarding services, a wider range than if they were operating alone. In this way the companies felt that membership of the network contributed to individual as much as group or network competitive advantage. By offering customers forwarding services in every country where there is a HTFN agent, virtually the same coverage offered by a multinational company may be provided. Long-term gains in terms of flexibility and cost savings in

serving customers were obtained. As each agent is a “local player” in his/her domestic market, local knowledge of customers may filter across the network. This tends to provide a better level of customer service, saving time when dealing with customs requirements and documentation. An additional advantage for the small firms of the HTFN was that by working in a network of competitors the value of collaboration was believed to be more substantial when compared to vertical forms of collaboration with suppliers or customers. Respondents commented that this was apparent because all the network members know and are carrying out the same economic activity and, therefore, the development of shared knowledge and understanding of requirements in performing network activities was easier to achieve. In working towards shared goals and aspirations in serving international customers, network goals appeared to supersede the individual competitive instincts of firms.

Competition

All of the ten firms interviewed confirmed that they felt their competitive position had been strengthened as a result of being part of the network. This improved competitive position was felt to have positively influenced their attitudes to competing against both other SMEs and large multinational firms. The international scale of the network had influenced the firms in feeling more positive about their international competitive position and through their membership of the HTFN network they felt that they had improved their image in the eyes of customers in being able to offer a global service concept through “global representation”. Mergers between different firms in the network have been discussed. However, one respondent demonstrated the feeling of all the SMEs by stating that international mergers inevitably resulted in internal firm changes relating to management, organisational culture and strategic predisposition. It seems that the members of the HTFN prefer to keep their status of regionally focussed independent companies, retaining their independence in managing their services and internal processes and preserving their individual organisational cultures. This offers the firms a dichotomous advantage of retaining their independence while benefiting from the advantages of being part of a global network. Network membership gives the HTFN firms the possibility of offering similar services to their large competitors: a wide range of international coverage, a wide range of transportation modes and an effective freight tracking service.

Growth and development

All firms of the HTFN interviewed believed that membership of the network had a positive influence on their growth and development. As many are small family run businesses, growth has come largely from sharing information about new opportunities in previously untapped markets. Many expressed the view that the network had given rise to new market opportunities as a result of exchanging information about customers and local market knowledge. The

opportunities had tangible results and created new customer relationships as well as building and nurturing the relationships with other network members.

Internal networks and local networks

The small freight forwarders commented on the challenges they have to face to offer a similar service to large forwarders, both internal and external to the HTFN network. Large forwarders have the advantages over their smaller counterparts of in-house warehousing and transportation systems. However, through the network, small forwarders have built local networks with third parties to provide warehousing and transportation services thus widening the reach of the network in local as well as international markets and enabling the small forwarders to achieve and offer the same services and resources to customers as their large competitors. The SMEs interviewed showed no fear of being considered less able than their competitors due to the fact that they had no in-house warehousing and/or truck fleets. In addition to the sense of security and support brought by network membership, they believed that subcontracting missing activities or resources would place them in a comparable competitive position – from the perspective of services offered – to larger forwarders. Indeed, most firms interviewed, believed that large forwarders often lost track of the myriad of small details that can affect the quality of the entire service offered. In the freight forwarding industry these details are of great significance in ensuring that the freight moves smoothly on its journey to the final consignee.

Sharing resources and reciprocity

The small freight forwarders interviewed reported that the network has enabled their firms to use or share the resources of others. For example, one of the companies argued that “having strong local partners, gives you access to the strongest resources in every country”. In a horizontal network of competitors access to others’ resources provides different results from a vertical network. In a vertical network relationships with other firms provide access to components and services that will be assembled to produce a final product. In a network comprising competitors, the emphasis differs, in that by gaining access to others’ resources and facilities small firms can gain advantages of being able to offer services, and indeed a whole infrastructure, through reciprocal connections with other network members. This is probably one of the most attractive opportunities provided by a competitor network as each member can rely on and offer worldwide service by exploiting the resources, knowledge and connections of other firms in its network.

Conclusions

This study had the aim of exploring whether a horizontal network of competitors could give collaborative advantages and internationalisation opportunities for SMEs, within the specific case context of an international network of freight forwarders. A worldwide network of competitors represents

for the SMEs, particularly those located in developing countries, a path to reach markets that may be operationally and economically impossible to develop single-handedly. Without sufficient resources or the capabilities to internationalise alone, through the other members in the network, the SMEs of the HTFN have reached not just new international markets, but gained access to expertise, knowledge and facilities that have enabled them to offer improved services to customers around the world.

A network of competitors offers particular features difficult to find in a vertical network formed by customers and suppliers. SME members of the HTFN network appear to be gaining the networking advantages of being able to offer customers an almost worldwide coverage of forwarding services, exploiting other firms' resources, market knowledge and local connections. They are maintaining their status as regionally independent companies but receiving the support mechanisms and benefits of a global network. Being part of the HTFN network of freight forwarders seems to generate collaborative value and advantages comparable to that of a vertical network. Sharing knowledge and understanding each others' businesses and requirements enables the SMEs to offer valuable support and assistance to each other, and thus offer a better service when dealing with customers' freight.

It was recognised that network membership of the HTFN opened up the possibility for all of the SMEs interviewed to operate in international markets, and that through the network, they were able to reach and offer customers a global concept and service comparable to that of large global firms. Dealing with the handling of other members' freight developed a strong sense of commitment within the SMEs to the relationships within the network, and led to the realisation within the firms, that through commitment and reciprocity in their relationships, they are trusting the goodwill of their customers and reputation to other network members. Thus the reputation of the network and the goodwill of customers across the globe have become critical issues for these SMEs and are as important a concern as their individual firm reputations and their local customer goodwill.

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