
Empirical Analysis of Nine Export Consortia of SMEs in Morocco, Tunisia, Peru and Uruguay

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4.1 The Field Research: Data Collection and Analysis

In this chapter we present the empirical evidence on which our work builds. Such evidence is based on the analysis of nine export consortia promoted by the United Nations Industrial Development Organization (UNIDO) in developing countries between 2004 and 2007: four in Peru, three in Morocco, and one each in Tunisia and Uruguay. These consortia all promote the products of their member firms in international markets, succeeding in enhancing the international competitiveness of tens of local micro and small firms.

At the beginning of 2008, UNIDO staff in Vienna asked ALTIS (Postgraduate School of Business and Society at the Università Cattolica del Sacro Cuore in Milan, Italy) to study the experience of the export consortia promoted by the UNIDO programme. We were therefore offered the opportunity to collaborate with local UNIDO officers in developing countries, in order to study in depth the business models and performance of some export consortia established in different countries.

The primary aim of the research was to analyze how these networks have designed and put into practice their strategies in terms of objectives, initiatives and selection of target markets. In addition, the empirical analysis covered the organizational model and systems of corporate governance that export consortia have adopted and the goals achieved by both the consortium as a whole and the individual member firms. Our objective was to test the validity of the UNIDO model and develop a general framework for the strategic management of export consortia.

Although the relevance of export consortia for the international competitiveness of small firms in both industrialized and developing countries is largely acknowledged, there has so far been little academic interest in this professional practice and export consortia remain almost completely neglected in the pages of mainstream journals and other academic publications. Export consortia appear to represent one example of an area of professional practice that management research has not been

able to analyze, or shown sufficient interest in doing so, despite its economic relevance and social implications (Pfeffer 2009).

In order to carry out an in-depth analysis of the export consortia, a case-study approach was adopted (Eisenhardt 1989; Yin 1989), consistent with previous research on the internationalization of SMEs from a network perspective (Chetty and Holm 2000). A case study investigates a contemporary phenomenon within its own context (Yin 1989). The selection of nine cases was made in accordance with Eisenhardt (1989) who, while stating that in the multiple-case approach there is no ideal number of cases, recommends between four and ten.

The export consortia to be analyzed were selected on the basis of three criteria: (a) age, focusing on the oldest among a panel composed entirely of relatively recently established consortia, in order to have a significant time-frame to analyze; (b) evidence of success in business, in order to identify best practices; (c) operation in different sectors, so as to provide examples of the application of these network models to different industrial contexts in developing countries.

The field research was carried out between April and October 2008 and involved nine consortia, whose names and profiles are shown in Table 4.1. During our work, a set of research tools was developed to collect and organize qualitative and quantitative information about the cases.

The data for analysis were collected by means of interviews with the consortia managers and entrepreneurs, and cover two levels of analysis:

- (a) Export consortium;
- (b) Member firms.

Given this double level of analysis, two different questionnaires were initially developed and discussed with officers and field managers from UNIDO and then tested. A pilot test on a small group of entrepreneurs and managers enabled us to refine our research tools.

The two questionnaires were then submitted to the target consortia. The first questionnaire was submitted to the general manager of each consortium and designed to collect data concerning:

- *characteristics and history* of the consortium: year of incorporation, number and size of member firms, legal form and organizational structure, operational and promotional costs;
- *funding and members' contributions*;
- *objectives and strategies*: target markets, marketing and promotional activities, initiatives and services and their evolution over time;
- *relationships between the consortium and its members*;
- *performance*, in terms of the opening of new markets for member firms and increasing export sales.

The second questionnaire was submitted to the individual entrepreneurs, enabling us to collect information about the member firms. In particular, the interviews shed light on the firms' activities and organization (including international experience and competences, type and amount of foreign activities, characteristics of export staff – if any), and changes in the firm's activities as a result of its consortium membership.

Table 4.1 Consortia profiles

#	Country	Consortium	Year of foundation	Type of consortium	Member firms	Size of firms	Industry
1.	Morocco	Mosaic	2004	Promotional	6 privately owned firms	Medium-large (120–330 employees)	Textiles and garments
2.	Morocco	Vitargan	2005	Promotional	6 cooperatives	Small and medium (17–69 employees)	Agribusiness (oil of argan)
3.	Morocco	Travel Partners	2006	Promotional	7 travel agencies	Micro-small (5–23 employees)	Tourist services
4.	Tunisia	Get'IT	2005	Promotional	11 providers of ICT and Web solutions	Mainly medium-sized enterprises (5–100 employees)	Information and communication technologies
5.	Peru	Muyu	2005	Promotional	5 artisan firms	Micro-small (5–20 employees)	Traditional handicrafts
6.	Peru	Peruvian Bio Consortia	2006	Promotional	3 family firms	Small (21–37 employees)	Agribusiness (plant extracts, nutritional and cosmetic products)
7.	Peru	ACMC	2007	Sales	4 integrated manufacturers	Small (35–53 employees)	Metal furnishings (production and machinery)
8.	Peru	Ande Natura	2007	Promotional	5 family firms	Micro-small (5–20 employees)	Agribusiness (herbs and organic food)
9.	Uruguay	Phyto Uruguay	2005	Sales	9 family firms	Micro-small (5–27 employees)	Herbal and nutraceutical

Nine detailed reports on each consortium and its member firms were developed in accordance with a common framework. These final reports have been the basis for the brief case histories presented in this chapter and for the development of the framework for analyzing the strategic management of export consortia presented in Chapter 5.

4.2 Mosaic (Morocco)

The promotional consortium Mosaic in Casablanca was instituted in 2004 and represents the first export consortium to be created in Morocco. Compared to other consortia, it may appear rather anomalous due to the characteristics of its members – six relatively large textile and garment manufacturers. All are proud of their previous export experience. Firm ‘A’ (330 employees) produces underwear and corsetry; Firm ‘B’ (195 employees), shirts and nightwear; Firm ‘C’ (140 employees), sweaters and knitwear; Firm ‘D’ (220 employees), pyjamas and children’s wear; Firm ‘E’ (120 employees), knitwear; and finally Firm ‘F’ (230 employees) produces parkas, anoraks and professional clothing. When the consortium was created, all these firms were already producing as subcontractors for large international retailers, almost exclusively for foreign markets, mainly France, Britain and Spain, but also Italy, Ireland and Belgium. However, they were all seeking ways to raise their international competitiveness and add value to their final products.

The firms are very homogeneous in terms of size, sector and international competences, but also highly complementary in terms of customers and products. This is a very favourable condition for developing shared consortium strategies as the profiles and interests of the members are substantially aligned.

The original group which launched the consortium in 2004 was less homogeneous, as it included other small firms. However, these firms soon realized that they would be unable to follow the ambitious action plan supported by the larger firms and so left the consortium. They have been replaced by larger and more experienced members.

Given the international experience of its members, the consortium’s activities are subordinated to the autonomous strategic patterns of the individual firms. They do not consider the consortium as the main tool for their internationalization but as a means of

- *fostering their individual competitive advantages* in their markets, by improving their managerial competences and increasing their strategic resources;
- *further developing exports*;
- *extending and diversifying their trading opportunities*, by means of new subcontracting and co-contracting activities.

Mosaic has identified three strategic objectives: to improve the competitiveness of its members; to promote and develop its members’ exports, and diversify their trading opportunities; and to develop its members’ ability to propose creative finished products.

The efforts and investments of the consortium are therefore oriented simultaneously in two directions:

- *Downstream*: Mosaic creates brand communications and marketing initiatives aimed at new prospects for its collective portfolio of products. The advantage for firms cooperating derive from sharing the costs of producing promotional tools, participating in international trade fairs and organizing trade missions abroad.
- *Upstream*: the consortium manages collective projects for the development of the internal processes and systems of the individual firms. Examples of these projects include: staff training in design, style and manufacturing processes, restructuring offices and departments, installing strategic information systems, guiding cost reduction programmes and collectively negotiating better conditions from suppliers of goods and services. In this case, the additional advantage of the consortium for the individual members lies in economies of scale, quicker and easier access to new external competences, and collective access to public funds.

The organizational structure of Mosaic is very ‘light’: the consortium does not have its own premises or dedicated offices, but rather relies on the physical and managerial resources of its members. Nevertheless, a more binding and demanding stage in the consortium’s life cycle is on the horizon, and will probably affect both its strategy and business model.

The governance system is also very simple. All six members are involved in everyday management and hold a formal half-day meeting once a month. Through frequent interaction, they strengthen the transfer of knowledge and the consortium is therefore a low-cost means of improving the capabilities of the member firms. The mutual coaching of managers has been established by identifying branches, dividing tasks and organizing regular meetings. This has allowed the companies to take advantage of the group’s internal expertise without bearing the cost of hiring specific experts to fill organizational gaps.

The owner behind the largest firm has been appointed president of the consortium. He is also responsible for the branch of the Moroccan Association for Textile and Garment Industries (AMITH) which promotes and supports export consortia. This link strengthens the relationship between Mosaic and AMITH.

The issue of guaranteeing each member a fair and satisfactory balance between commitment (in terms of financial and human contributions) and benefits has been solved by means of a flexible and highly pragmatic mechanism. The consortium has embraced a kind of ‘variable geometry’ paradigm, based on the idea that not every firm needs to take part in every activity, and some may cooperate more closely on different projects. The programme of activities is therefore decided by the firms on the basis of their main targets, and any members who are not interested in one specific action do not participate in it. Consequently, the consortium does not ask for a fixed annual contribution from its members. Rather, each activity is equally financed by the participants, who usually also benefit from public co-financing for the specific project.

According to the entrepreneurs, after four years of activity, the main results achieved by Mosaic are: the restructuring of the member firms; better positioning

on the international market and the establishment of an efficient and effective system of competitive intelligence. In particular, members' perceptions of consortium objectives indicate that the strategic goal of improving the competitiveness of the individual firms in their traditional markets has been more successfully achieved than others. There is still much left to do in order to promote and develop members' exports, diversify their trade opportunities and direct members towards more competitive finished products.

The member firms consider their competences to have improved, particularly in terms of technical expertise and their ability to analyze international markets, and that their relational capital has also increased in terms of business contacts abroad. However, the main perceived benefit has been identified as a better corporate image in the eyes of both customers and suppliers.

4.3 Vitargan (Morocco)

Vitargan was set up in 2005 by six cooperatives of argan oil producers in the region of Essaouira, Morocco. They produce oil that is both for cosmetic use and food-grade. The consortium was created within the framework of a broader project financed by the European Union (in partnership with local economic development agencies). The aim of this project was to encourage the production of argan oil in the area between Essaouira and Agadir provinces and promote the role of women in rural areas and their contribution to economic and social development.

The six SMEs involved in the consortium have different degrees of experience in foreign markets. Firm 'A' (69 employees) exports 80% of its production to France. Also for Firm 'B' (54 employees) exports account for 80% of its sales, mainly to France and Italy. Firm 'C' (21 employees), Firm 'D' (60 employees) and Firm 'E' (60 employees) export only 10% of their production, mainly to France, Germany, Italy and Switzerland. Finally Firm 'F', the smallest firm in the group (with only 17 employees), has no export activity.

The argan oil producers formed the consortium to achieve the following strategic objectives: (1) To increase the production of cosmetic-grade and food-grade argan oil; (2) to promote high quality biological production; (3) to share purchases of raw materials, machinery and other sourcing activities; (4) to improve product marketing and (5) to develop a common image.

Originally, the goal of their alliance was to reduce purchasing and service costs, but the member firms soon decided to develop a joint packaging process and shared promotion, communication and marketing campaigns. Currently, each cooperative firm owns its machinery but they are now considering the opportunity to centralize the refinement phase of the oil by giving it directly to the consortium. The cooperatives would sell the oil to the consortium, which would then be responsible for refining and marketing it. The member firms are also aligning their image and communication strategies under the consortium banner by creating leaflets and a website to promote the cooperatives.

Training is very important for Vitargan. Various courses have been organized for the member firms, focusing on the valorization of argan oil and its products, the best production practices and international marketing. These activities have given rise to a kind of production handbook, forming the basis for the international certification (ECOCERT) of argan oil.

The organizational structure of the consortium resembles that of its member firms. It has a president (on a two-year appointment), vice-president, board of directors (the members of which are the presidents of the six cooperatives), treasurer, vice-treasurer, secretary and vice-secretary. It also has an external managing director, remunerated directly by the members. Regular meetings are held at members' offices on a monthly or weekly basis, as required.

All of the firms contribute to covering 25% of the operating costs from their own resources, while the remaining 75% (including promotional and product packaging/refinement costs) is covered by the Argan Project, financed by the European Union. All the main activities of the consortium are co-financed by public institutions.

During 2006, the consortium developed a common identity and communication system, which significantly enhanced marketing and communication effectiveness, and has allowed the cooperatives to participate in a number of national and international trade fairs and exhibitions. In order to participate in these events (e.g. the SIAL exhibition, a fair in Montreaux, and the ANUGA in Cologne) they produced common leaflets and a collective website. Alongside these activities, Vitargan also promotes initiatives in favour of female workers and the literacy of women in the region, and has supported the role of women by creating a new family code (*Moudawana*).

The marketing and commercial strategies of the consortium are identified by the managing director and approved by the board. However, although the members have developed a slightly greater mutual confidence and openness two years on from the establishment of the consortium, they are still reluctant to delegate decision-making powers to the managing director. Consequently, decisions are taken by the board of directors. This has raised concerns on the part of the managing director about the slowness of the decision-making process, which results in delays in the definition of action plans, as well as the planning and organization of national and international trade missions.

The creation of Vitargan has allowed member firms to obtain substantial results. Firstly, cost-sharing and cost-reduction have been achieved by means of centralized purchases and the use of joint conditioning. This has also led to an increase in production capacity. Secondly, the firms have obtained the ECOCERT BIO quality certification, which increases the value of the product for their customers. Thirdly, participation in the most important international trade fairs and exhibitions has provided significant opportunities for firms to meet potential partners, customers and competitors in the global market. The consortium decided to focus its marketing activities primarily on the German, Italian, Spanish, French, Canadian and US markets. Fourthly, an important result is the firms' increase in quality control procedures – in this regard the consortium is considered by its member firms to have fully achieved the objective of valorizing the quality of their product. Finally,

partners are also satisfied with the development of a common image, even though they acknowledge that improvement is still needed in terms of marketing.

Some further important considerations about the consortium's achievements arise from the results of the survey of the cooperatives. The entrepreneurs acknowledge that their marketing capabilities and knowledge of foreign markets have both improved since they joined the consortium. They agree that the image of their firms has improved significantly in the eyes of both customers and suppliers. However, the number of foreign customers and business contacts has increased only slightly. The need for a more structured organization to enhance the process of export development is still perceived as a gap to be filled.

4.4 Travel Partners (Morocco)

Travel Partners Morocco (TPM) is the first export consortium created in Morocco within the service sector. It was officially founded in 2006, with the support of the UNIDO-Foreign Trade Ministry project. It is officially defined as a Group of Economic Interest and comprises seven competing travel agencies in the Casablanca area, which offer similar services and have the same market positioning. All the firms are small in size, ranging from 5 to 23 employees.

The firms decided to form the consortium in order to strengthen the promotion of Morocco abroad and position themselves among the leaders of the travel agency sector at a national level. They are now the third largest player in terms of turnover in the Moroccan market. In addition to the objective mentioned above, the member firms also wanted to improve their negotiating and purchasing power, establish a sort of benchmarking system and develop knowledge-sharing routines. Regarding international competitive strategy, the consortium has decided to focus on developing its products, entering new foreign markets and creating an image of travel agencies according to certain principles and ethical values.

Marketing strategies and trade missions are planned by common agreement, focusing on the most strategic target countries (such as the UK, Germany, France, Spain, the USA and Russia) and the opportunity to enter new and untapped niche markets (such as 'golf tourism').

The consortium has adopted a collegiate management system in which the main tasks have been divided among four operational commissions: (a) *Purchases* from airline companies, suppliers, insurance companies, etc.: the task of this commission is not only to obtain the best purchasing conditions for the travel agencies, but also to set up a group of reliable business suppliers; (b) *Communications*: this commission coordinates all the communication and promotional activities of the consortium and its members, including a website, promotional CD-ROM and leaflets; (c) *Human resources*: the main objective is to develop a common training plan for the managers and employees of the member firms in order to boost their professionalism (the outsourcing of their HR function is envisaged for the future); (d) *Exhibitions and trade fairs*: on the basis of a joint promotion campaign, this

commission is responsible for organizing the participation of members in overseas missions and meetings with foreign tour operators.

Each commission provides support services for the member firms, which see the division of tasks as one of the most important advantages of the consortium.

The consortium does not have its own premises and meetings are held in rotation at the offices of each member firm. There is an annual membership fee to cover the consortium's operating costs and each firm participating in a particular activity pays a further fee to cover that specific cost.

Since its establishment, the consortium has developed some useful communication and promotional tools for presenting the services offered by its members, such as a common catalogue and a website. Furthermore, TPM has designed a consortium logo in order to strengthen the competitive position of the firms in foreign markets. The consortium has also achieved an increase in its negotiating power, resulting in the reduction of purchasing costs and the compilation of a black list of less reliable or more expensive suppliers. In the area of human resource (HR) management the consortium is designing a system aimed at standardizing HR policies for all its members.

All the travel agency managers agree that being part of the consortium has improved their internal market positioning and provided a source of mutual information exchange which better enables them to confront new markets. In 2007, TPM hired a temporary managing director (with the job title of "coordinator") paid directly by the consortium's members. He is responsible for organizing the weekly meetings and implementing the initiatives identified in the action plan.

It is difficult to analyze the performance of the consortium within such a short period. In addition, as the firms record their own sales directly and do not attribute them to the consortium, it is difficult to evaluate the increase in revenues due specifically to the actions of the consortium.

Nevertheless, it is possible to identify three main goals achieved by the consortium:

- the development and presentation of a common image/identity;
- greater visibility on the national market;
- access to new countries and untapped niches.

The member firms are increasingly involved in a common action plan. Most of them agree that their image and competitive positioning has improved among both customers and suppliers. However, they perceive that there is a great deal still to be achieved in terms of internationalization and the development of new services.

4.5 Get'IT (Tunisia)

Get'IT is the first promotional consortium constituted in Tunisia and groups together firms belonging to the Information and Communication Technologies (ICT) sector. Officially founded in 2005, the consortium is the result of a previous one-year period of informal cooperation among six firms interested in running international activities financed by the National Fund for the Access to Export

Markets (FAMEX). This cooperation strengthened trust among the firms and encouraged them to formalize the alliance. At the beginning of 2009, the original composition of Get'IT changed and included 11 members of varying sizes, all providers of ICT services, but with little competition between them. In fact, there is no relevant overlapping of markets and, as they offer a wide range of different services, their products are fairly complementary: Firm 'A' (5 employees) is a consultancy firm specializing in webmarketing; Firm 'B' (35 employees) provides IT systems and mobility solutions; Firm 'C' (100 employees) specializes in consultancy, development and the integration of ERP and other solutions for enterprises; Firm 'D' (40 employees) offers information, web and communication solutions; Firm 'E' (20 employees) offers IT outsourcing and communication services; Firm 'F' (22 employees) offers web, multimedia and training services; Firm 'G' (20 employees), offers web-design training and development services; Firm 'H' (the largest firm, with 120 employees) offers a wide range of IT services, including management consulting; Firm 'I' (20 employees) provides IT solutions for business intelligence and decision-making processes; Firm 'J' (45 employees) provides consultancy, telecommunication, assistance and security services; and finally Firm 'K' (100 employees) manages a call centre and offers telemarketing services and hotlines. Compared to other firms in service industries in Tunisia, most of the member firms may be considered to be medium-sized.

The main strategic objectives of Get'IT are: (a) to combine members' efforts to promote the competitiveness of the network as a whole; (b) to promote Tunisia as a site for new technology outsourcing and a reliable provider of ICT services; (c) to promote the exports of member firms by means of collective action; (d) to enrich the global offer of the firms by leveraging on complementary and diversified solutions in the ICT industry.

Eighty percent of the consortium's budgetary resources are allocated to promotional activities, such as collective participation in international fairs in Europe, the organization of and participation in technical and professional conferences and forums in France and Tunisia, the organization of trade missions abroad and collective marketing activities (including the development of a common website and the creation and launch of a collective brand).

The consortium's target market during its first three years was France (which is perceived as a close market because of the common language), followed by Italy and Germany. However, members have also promoted their products in the domestic market by focusing on their ability to supply integrated solutions to local customers.

The consortium has always had a very 'light' structure, consistent with the intangible, virtual nature of its digital business. The organization and management of specific promotional activities are outsourced to an external office which provides coordinating and organizational services to Get'IT. The general management of this external office is the responsibility of a managing director, elected by the entrepreneurs. There are no professional managers, dedicated staff or management systems pertaining specifically to the consortium, only those of the individual firms. The sole exception is a common Customer Relationship Management (CRM)

solution which the member firms want to implement in order to manage the consortium's main asset – the relational capital built up over three years of promotional activity and contacts.

The managing director holds office for one year, and there is no formal board of directors as all of the chief executives of the member firms participate in planning strategies and designing programmes and budgets. Moreover, possible problems are avoided owing to the consortium's highly participative governance system. Every action is discussed and directly approved in advance by the member firms in the context of intense dialogue with little or no formality.

In terms of financing, each firm provides a low fixed contribution to cover overheads, and specific activities are financed equally by the participating firms and generally co-financed by public funds.

As in the case of all promotional consortia, it is difficult to measure the impact of consortium activities on the individual firms directly. However, compared to the situation prior to the foundation of the consortium, there have been significant increases in revenues (on average +30%) and export performance. All of the firms acknowledge that they have benefited from participation in the consortium in terms of the establishment of best practices and openness to international markets.

Finally, members emphasize that the benefits obtained due to the consortium go beyond business contacts and profit. Intangible resources such as knowledge of new international markets and a better understanding of potential customers have dramatically improved.

4.6 Muyu (Peru)

Founded in 2005, the export consortium Muyu is composed of five micro and small handicraft firms based in Cusco, Peru, all of which produce handmade products associated with Peruvian tradition. More specifically, Firm 'A' (6 employees) produces garments and accessories in alpaca leather, exporting 30% of its production; Firm 'B' (12 employees) produces alpaca wool garments and sells 93% of its products abroad; Firm 'C' (10 employees) produces silver sculptures and sells 10% of them abroad; Firm 'D' (6 employees) produces ceramics, with 70% export; and finally Firm 'E' (9 employees) produces machine-woven tapestries and blankets and has no significant exports. They are all of a similar size and their products are complementary insofar as they are consistent in style, but different in terms of type, use and value.

Despite their small size, membership of the consortium allows the firms to promote their sales abroad (especially in the USA and Europe) using selected distribution channels to reach customers interested in Peruvian-style goods.

The competitive strategy of Muyu is essentially a focus strategy as all of its products are markedly characterized by their ethnic profile, though developed in accordance with modern concepts and forms. The customer preferences targeted by Muyu, therefore, must be consistent with Peruvian culture and tradition and its products are directed towards a narrow international customer segment.

Consistently with its focus strategy, the consortium uses selected channels specializing in handicrafts, mainly aimed at the USA and European markets (Germany, Holland, Belgium and Spain). Although to a lesser extent, it also promotes its products in Chile and Bolivia. In foreign countries, the products are usually sold in museums, art galleries, boutiques and fair trade association outlets.

The strategic positioning of Muyu is clearly summarized in its formal mission statement: *'to satisfy the functional, ornamental and fashion needs of demanding markets through handmade products, styled according to ancestral Peruvian tradition, but proposed in modern forms'*. The 'typical Peruvian style' and 'locally handmade artisan manufacturing' are key elements of the consortium's strategy and drive all of its promotional activities. In the case of Muyu such elements become location-specific strategic resources and reinforce the competitive advantage of the member firms and the consortium in their markets.

With regard to the core promotional activity of the consortium, the formal strategic market objectives of Muyu are: to *increase the competitiveness of its member firms* by organizing their offer and ensuring effective trade promotion; to *achieve better positioning and larger market shares* in both the domestic and international markets; to establish the consortium's brand *'Muyu Peru as a symbol of quality'*.

However, in addition to its commercial objectives, the consortium also has internal objectives that are more centred on the development of the individual firms and the efficiency of the network: (a) to plan and implement product innovation; (b) to increase productivity and standardize the production of member firms; (c) to develop competences and managerial tools for improving the profitability of member firms by means of greater efficiency and increased sales.

The consortium's main marketing activities are participation in specialized trade fairs and showroom product range presentations.

The consortium's financial resources derive directly from the members, who contribute to the budget in two ways, firstly, via a fixed, equal annual amount to cover operating costs and secondly, by specific contributions to the cost of individual activities or projects (such as participating in trade fairs) which are divided equally among the firms actually taking part. Given the small size and limited resources of the member firms, and in keeping with its nature as a promotional export consortium, Muyu does not have its own premises or offices.

The consortium also fosters inter-organizational learning and knowledge-sharing. The learning outcomes are particularly relevant in two areas – the development of the collections and the compilation of the product catalogue, and the creation of a shared database of suppliers and customers. Design, fashion and product development courses are complemented by workshops focusing on image marketing.

The enhancement of the firms' marketing and promotional competences is one of the main outcomes of participation in the consortium. This has led to a significant increase in export sales. Exports to the USA and EU now account for 40% of total sales, and foreign sales by the five micro enterprises have more than doubled since the consortium was founded. In addition, as a result of their participation in the consortium, member firms also improved their market reputation and benefited

from easier access to technical assistance and training programmes promoted by public and private institutions.

4.7 Peruvian Bio Consortia (Peru)

The members of Peruvian Bio Consortia were selected in mid-2006 by the Peruvian Institute of Natural Products (IPPN). Originally, the group consisted of five firms offering products to industrial and consumer markets (especially products with functional characteristics), though two firms withdrew shortly afterwards.

The remaining three member firms, all family businesses, are: Firm 'A', established in 1980, with 21 employees and producing liquid and dry plant extracts for cosmetic use, functional food, oils and personal hygiene care products (with exports of 60% of total sales); Firm 'B', established in 1985, with 37 employees and specializing in natural nutritional and cosmetic products (exporting 10%); and Firm 'C', established in 2001, with 27 employees and producing nutritional products (dry herbs, fruits and vegetables), 90% of which are sold on foreign markets. They are currently planning to recruit new firms on the basis of specific selection criteria, including unanimous agreement of the founder members.

The 'vision' of Peruvian Bio Consortia may be summarized as follows: *'To be a consolidated consortium with a solid resource base, leading innovation within the sector, protecting the environment, and generating economic development'*.

The main functions of the consortium are to promote the firms and their products, prepare advertising and promotional materials, organize participation in international fairs and exhibitions and in other pro-export activities (such as trade missions), organize training courses and establish partnerships with other organizations.

As agricultural product processing firms, the members compete in the same markets and distribution channels. However, in order to avoid internal competition within the consortium, the group has assessed the strengths of each firm and identified those member firms' products to be promoted by the consortium. In defining the product range of the consortium, a significant role was played by the three firms with international experience. The USA, Europe and, residually, Japan were identified as target markets.

The consortium structure is extremely simple. The meetings of the board are held at the premises of Firm 'A', whose representative is also president of the consortium. All of the member firms have their own leaders and their roles are well integrated within the consortium. There is significant information exchange and knowledge sharing and decisions are made on the basis of a simple majority. Member firms are also familiar with each other's production facilities and assist each other with production activities when necessary.

Peruvian Bio Consortia has therefore no equity on its balance sheet. Member firms have decided to provide financial contributions to the consortium only when a specific activity has been (or needs to be) carried out. The costs of such activities are divided among the member firms.

The consortium's main impact has been on the improved image and reputation of the member firms. Peruvian Bio Consortia has managed to establish itself as the leading consortium in Peru in the natural products sector. As a result, representatives of the member firms are often invited to give talks at conferences, above all to describe their experience in the bio-products market.

Despite the difficulties in determining whether the good performance of the member firms in 2007 can be directly ascribed to their participation in the consortium, Peruvian Bio Consortia has undoubtedly improved their negotiating capacity and market power on the international market. In terms of members' perceptions of the consortium's achievement of its strategic goals, all three firms agree that they are positively perceived by supporting institutions and, in particular, that their export promotion activities have substantially increased. On average, firms' sales increased by 20% due to greater export activity. Furthermore, the consortium has increased the members' pro-export activities, particularly in terms of their participation in international export fairs in South America (Brazil), Europe (Switzerland) and the USA.

Peruvian Bio Consortia has become the leading consortium for natural products in Peru and is considered to be an example of cooperation for other firms in the sector. In March 2008, the consortium was ranked second in the 'Export Production Chain' category of a national corporate social responsibility competition. Finally, in terms of resources and competences of the member firms, they have experienced major improvements in marketing and technical competences, as well as in their image among customers and suppliers.

4.8 ACMC (Peru)

ACMC Industrial Group is a sales export consortium of metal and engineering firms founded in mid-2007 by the Peruvian Ministry of Production (PRODUCE).

It comprises four small firms: Firm 'A' (53 employees) produces metal furniture for private and business use; Firm 'B' (18 employees) designs and manufactures machinery for the metal furniture sector; Firm 'C' (15 employees) produces decorative items, metal furniture and metal carpentry tools; Firm 'D' (35 employees) manufactures metal furniture for exhibitions (display stands and similar products). All the firms are located within the Villa del Salvador industrial estate, which is the only one in the city of Lima. Member firms have similar production facilities and are therefore able to manufacture similar products in order to increase their overall export potential. They also have significant export experience.

The ACMC firms combined both their production facilities and more than 15 years of experience in the sector with the aim of offering a greater variety of customized quality products at competitive prices. They are vertically integrated, from the design phase to the production of moulds and finished products, thus ensuring complete quality control. This integration also allows them to increase production easily and reduce lead times.

They hold a consolidated product position within the local market and their products are sold nationally to well-known public and private firms, while exports on total sales range between 5% and 10%. This position was established not only due to the quality of the products, but also owing to a proven reliability in business transactions.

The consortium's strategic vision states that it aims *'to be solid and professionally managed, to contribute to the country's social and economic development, and to attain a strong position in national and international market, by developing new products and markets, using appropriate technological resources in order to offer quality products under both its own brand and international certification'*.

The main functions of the APMC consortium may be summarized as follows: the joint promotion of the firms and joint sale of their products; the creation of promotional materials and marketing campaigns (such as participation in international trade fairs, trade missions, and meetings with potential commercial partners); training activities; the establishment of partnerships with other cooperative institutions; participation in local public calls for tender.

Furthermore, the consortium exploits its participation in trade fairs in order to promote its members' products, especially among wholesalers, retailers and importers. The main target markets are Latin American (especially the Andean region), where the firms have already built up substantial experience.

At a very early stage in the life of APMC, it was decided to establish an organizational structure in which each entrepreneur would be responsible for a specific function: Firm 'A' for Institutional and Public Relations; Firm 'B' for Projects; Firm 'C' for Administration; Firm 'D' for Marketing and Sales. The owner behind company 'A' is also president of the consortium. After the increase in local sales and the decision to export, the entrepreneurs decided to hire a managing director for the consortium. The shares in the consortium are divided proportionally among the members. Group membership is closed, but the consortium establishes partnerships with local companies for specific projects. The consortium's operating costs are paid proportionally by the member firms and there is a strong orientation to cost reduction. In line with this, meetings of the consortium are held in the offices of one of the member firms in order to reduce costs.

As a result of the consortium's activities, the firms have improved and intensified their promotional strategies in foreign markets, especially participation in international trade fairs, starting with those held in South America. Export promotion activities started in 2007 and are progressing quite rapidly, despite the absence of public financial support, with the consortium about to enter neighbouring markets such as Bolivia and Ecuador. Prior to 2007, only one firm was running pro-export campaigns. The firms are also collaborating with the Ministry of Production in a programme aimed at creating a network of suppliers.

Although the full impact of these efforts cannot yet be appreciated, the prospects are encouraging: the consortium is more established in the local market, especially in terms of calls for tender, and the joint actions of the four members have led to significant improvements in the overall quality of products, as well

as in their confidence in both themselves and each other. In particular, the image of the consortium is seen as an important resource, which also benefits the individual firms.

Throughout all of its activities, the consortium has pursued two main goals: to strengthen the group's identity and image, and increase foreign market penetration. However, given also its short time in existence (just under 2 years), the results so far achieved by the member firms have mainly concerned local markets. Domestic sales by individual firms in 2008 increased by 100% compared to 2007.

The perception of the member firms concerning the achievement of the consortium strategic goals is that they have managed both to increase production to fulfil emerging market demand and to improve their managerial capabilities, especially with regard to foreign sales development. However, they still need to acquire greater negotiating power on international markets, and improve the organizational structure of the consortium in order to make for more streamlined management.

4.9 Ande Natura (Peru)

Ande Natura is a promotional consortium, established in June 2007 and composed of five very small family firms. They offer a variety of products within the aromatic herb and organic food sector: Firm 'A' (12 employees) produces aromatic herbs, filtered infusions and has an export intensity of 20%; Firm 'B' (9 employees) produces green and black tea and its exports account for 10% of sales; Firm 'C' (2 employees) produces Sacha Inchi oil, jams and cereals and has a 6% export intensity; Firm 'D' (4 employees) produces local potatoes as snacks and exports 10% of its production; finally Firm 'E' (the largest, with 40 employees) produces organic coffee, annatto and palillo colorants, and has an export intensity of 98%.

Ande Natura was originally founded by Firm 'A' and two NGOs, who were more interested in developing educational programmes than entrepreneurial activities. These differences in the strategic vision of the network led to the departure of the NGOs.

All of the member firms have an agro-industrial profile and operate in the organic food sector. The production base is therefore the land, and processing takes place within the region. Their products are not in direct competition as they originate from different plants, vegetables and herbs, and range from filtered infusions to oils, crisps and jams, among others. In this way, they complement the consortium's portfolio and improve the overall offer, making it attractive to customers owing to its quality. The products can benefit from higher prices ('premium price') as they are organic, are of a higher quality, and target customers are in the Fair Trade niche market.

The consortium does not replace the entrepreneurial initiative of its members. Rather, Ande Natura acts as an umbrella brand and is used for promotional activities. Each firm's brand is promoted and each firm handles its own purchase and sales contracts. The USA and Europe are the prospective foreign markets for all

of the member firms. The consortium endeavours to exploit all previously-established business connections.

The mission of the consortium is summarized thus, '*an association linked to growing markets, developing quality food products, supporting the organic food production chain and promoting the sustainable use of resources through the adoption of agro-ecological practices*'.

While the consortium's overall goal is '*to establish a self-sustainable export consortium of organic food producers in the south-east macro-region of the country*', it also has some more specific objectives: (a) to develop an environmentally sustainable offer of products derived from aromatic, oleaginous and tuberose plants, and Andean corns; (b) to improve the revenues of member firms through export and transfer the benefits to the production base by applying the principles of fair trade; (c) to develop the technological and organizational characteristics needed to satisfy the requirements of the organic products sector in the global market; (d) to promote sustainable productive bases, grow varieties of species for which there is a market demand and reduce the costs of the certification process.

Ande Natura has identified and defined these strategic objectives via a formal strategic planning process. The consortium also has some managerial objectives: to develop the necessary managerial capabilities and tools for developing new markets; to strengthen the financial aspects of member firms and to improve profits by increasing sales and reducing operational costs.

The consortium is managed by a *junta coordinadora* (management board) consisting of one representative from each firm: a coordinator, three associate managers and a treasurer. The initial coordinator of the group was chosen for his marketing experience and business ties with one of the NGOs that sponsored the creation of the consortium. The good personal relationships which exist among the entrepreneurs also favour the smooth management of the consortium. Internal regulations have also played a crucial role in problem-solving, helping the members to avoid the conflicts that can arise within a consortium.

The meetings of the consortium take place on a weekly basis at the offices of one of the firms. The agenda is decided upon during the previous week's meeting and decisions are always taken unanimously. In accordance with the consortium's regulations, fines are levied for failing to attend these meetings. Mutual trust and confidence among members have increased over time as a result of the development of joint activities. One important factor in improving trust has been the creation of a diversified and complementary portfolio of products. This choice has proved to be successful as foreign buyers usually prefer to deal with an organization which offers a wide variety of different and innovative products, rather than with a number of smaller firms.

All of the firms agree that the Ande Natura brand has been successfully promoted and that the consortium's market power has been strengthened on international markets. Since the consortium was constituted, the member firms estimate an 85% increase in sales. Contacts with prospective customers have also grown as a result of participation in the most important international fairs for the food industry (e.g. Brazil, USA, Switzerland and Spain). Other achievements of the

consortium include: an improvement in outsourced services as a result of a more efficient exchange of information among those firms which cultivate aromatic plants, a reduction in marketing costs and stronger relationships with public and private institutions. In this respect, it is worthy noting that the consortium's export initiatives are supported financially by public export promotion institutions such as PROMPERU and DIRCETUR, as well as the NGO, IMAGEN. Finally, there has been an increase in the number of personnel employed by the firms. This has reached an annual growth rate of 5% and is likely to increase further still as a result of greater export activity.

4.10 Phyto Uruguay (Uruguay)

The consortium Phyto Uruguay, established in 2005, has nine members, mostly micro-enterprises, operating in the herbal and nutraceutical products sector: Firm 'A' (5 employees) produces food integrators; Firm 'B' (27 employees) produces organic herbs; Firm 'C' (67 employees) produces cosmetics; Firm 'D' (10 employees) produces herbal and natural pharmaceuticals; Firm 'E' (10 employees) produces homeopathic products, cosmetics, veterinary homeopathic products and essential oils; Firm 'F' (12 employees) produces cosmetics; Firm 'G' (7 employees) produces aloe; Firm 'H' (20 employees) produces dietary products, functional food, medicaments; Firm 'I' (5 employees) produces vegetable extracts. The firms' main distribution channels are retailers and wholesalers, pharmacies and perfumeries. In 2009 three further firms were about to join the consortium.

Promoted by UNIDO, this consortium was also supported by FUNDASOL, a non-profit association promoting Uruguayan businesses, in cooperation with other institutions such as the Interamerican Development Bank (IDB), the Ecumenical Economic Development Cooperative Society (OIKOCREDIT), the Interamerica Foundation (IAF), the German Cooperation (GTZ) and UNESCO.

It is worth noting that – with the exception of one firm (with a 9.4% export intensity) – none of the member firms had any previous export experience. They did not participate in international trade fairs, had no knowledge of international payment tools and showed little compliance with international standards. Moreover, none of the firms employed an export manager, and only a minority had dedicated sales staff.

The firms' internationalization strategies started with Phyto Uruguay. The consortium supports member firms in promoting their products abroad through participation in overseas trade fairs. Target markets and related promotional activities are chosen by the members on the basis of their previous experience.

The group is managed by a president chosen among the member entrepreneurs and is supported by a secretary and external business consultants. Weekly meetings are organized and held at Fundasol's offices. The consortium's structure is mainly financed by member firms through a 3% commission on sales made by the consortium and members' contributions for specific services.

In addition to promoting the products of member firms under its own brand, the consortium invests in quality improvement by implementing quality standards throughout the value chain and creating a jointly-operated research laboratory. Furthermore, the products of the consortium are to be certified as 'Bio-Phyto' by the Italian Institute for Ethical and Environmental Certification (ICEA).

The link between higher exports and upgrading the organizational and managerial structure of the firms would appear to be extremely strong indeed. As a consequence of being part of the consortium, all member firms have revamped their packaging and increased their bargaining power with suppliers. They are now taking advantage of their greater bargaining power as a group to develop the national market and are negotiating with large-scale Uruguayan retail buyers. In addition, the majority have also revised their products and promotional material, and invested in new equipment and technologies. Almost all the firms have obtained or are in the process of obtaining international certification, such as ISO 9001 and GMP (Good Manufacturing Practices). The global turnover of most members has increased in recent years and half have taken on more staff.

Finally, the effective combination of upgrading the firms' manufacturing processes and promotional activities implemented by the consortium is already producing positive effects: Phyto Uruguay has recently signed a commercial agreement with an Italian customer.

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