The Establishment of Global Marketing Strategic Alliances by Small and Medium Enterprises

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ABSTRACT. Within the constraints of financial resources, it remains possible for SMEs to find ways of cultivating their global marketing activities. Based on the balanced scorecard concept, we are able to develop a model, under a two-stage diagnostic process of subjective and objective conditions, to assist SMEs in making the best available choice in their global marketing activities.

Following on from our examination of Taiwanese SMEs, this empirical study proposes four types of global marketing activities: the setting up of upstream and downstream joint after-sales service centers; the establishment of joint distribution warehouses; the development of products with regional characteristics; and the building of domestic and global retail distribution channels.

1. Introduction

Ever since 1988, when *Business Week* first published a list of the world's most valuable companies, a major transformation has taken place in the global economy. Whether they are based in the U.S., Europe or Japan, almost without exception, the companies which have risen in the value rankings have been those that have already become globalized in terms of technology, manufacturing and marketing. In 1998, *Fortune* provided an evaluation of its list of the world's top five hundred companies with a statement clearly demonstrating the importance of globalization: "*one clear message that pops out of this year's rankings [is that] over-reliance on home markets is one of the surest routes to the bottom of the pack*".

However, for most small and medium enterprises (SMEs), there are significant barriers opposing their efforts towards internationalization. The conventional view argues that SMEs face many barriers limiting their development as global companies; for example, the term SME not only suggests small size, but also limited financial and human resources. Furthermore, top managers within SMEs often have limited international experience and a negative attitude towards internationalization (Cullen, 1999). On the other hand, in addition to the government programs which actively support the exporting activities of SMEs, trade agreements not only reduce the resource requirements, but also the complexity of trading. Therefore, an important issue for current research into this area is finding ways for SMEs to effectively overcome these barriers and to become international players.

Theoretically, organizations are able to become international either by following the stages of international involvement, or by starting up as global companies. The typical stages of internationalization for an SME include: passive exporting, export management and the establishment of an export department, followed by sales branches, production abroad and transnationalization (Dollinger, 1995, p. 148). Given the emergence in world trade of newly industrialized countries (NICs), the global marketplace has become increasingly competitive. In seeking to compete globally, most of the SMEs in the NICs

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seek either an OEM or ODM production mode, a sort of passive mode that focuses essentially on filling international orders (Cyhn, 2000; Kim, 2001; Hobday, 2001). Taiwan's SMEs, for example, previously adopted many different methods of collaboration, almost all of which took place upstream within the value chain.

Amongst the four main industry categories, R&D is the most commonly used form of collaboration. Another popular collaborative method involves the mode of manufacturing, which generally takes the form of center-satellite systems, whilst in the chemicals and everyday necessities sectors collaboration is more likely to be in the form of joint purchasing and joint securing of orders. These collaborative methods will generally conform to the overall characteristics of the different industries; however, faced with an increasingly regionalized and globalized international environment and global sourcing activities, it is debatable as to whether the current modes of operation can provide SMEs with sustainable competitive advantage. Therefore, it has become necessary for SMEs to move gradually towards controlling and developing their markets. By cultivating their marketing ability to cope with current conditions, they can become involved in overseas retailing sales, international advertising or multi-local channel development.

Previous studies of SMEs have covered a wide range of categories, although most of them tended to discuss their financial limitations or capital structures (e.g., Levenson and Willard, 2000; Lopez and Aybar, 2000; Michaelas et al., 1999; Chittenden et al., 1996; Hutchinson, 1978). This strand focuses on how the financial behavior of SMEs is influenced by size and the relevant business sector. There has also been some focus on the internationalization process, or firm dynamics, of SMEs (e.g., Gomes-Casseres, 1997; Kohn, 1997; Reynolds, 1997; Wagner, 1992, 1995; Berra et al., 1995). Kohn (1997) further indicated that small foreign investing firms in the U.S. tend to focus on producer goods which will help them to avoid the high costs of adapting products and marketing strategies.

Other research has concentrated on human resource management within SMEs (e.g., Headd, 2000; Hohti, 2000; Folster, 2000), whilst further studies have examined the innovation- or R&D-related capabilities of SMEs (e.g., Kohn, 1997; Lefebvre et al., 1998). Kohn (1997) also indicated that small firms investing abroad tend to rely on R&D-based technological advantages rather than advertising-based advantages. However, even within those studies that have attempted to discuss SME issues from every angle, very few have focused on global marketing activities (e.g., Peterson and Lill, 1981; Brooksbank et al., 1992; Kohn, 1997) largely because the limitations, in terms of financial and human resources, tend to discourage SMEs from devoting their efforts towards global marketing activities (Kohn, 1997; Cullen, 1999; Lim, 1998).

The main purpose of this study is, therefore, to propose a method by which SMEs may enter the international arena through the performance of global marketing strategies. The methodology developed within this paper is an 'enterprise diagnostic' model which proposes that the SMEs' most effective strategy would entail the formation of strategic marketing alliances. Of particular interest in this study is the examination of the various ways in which different industries could undertake such strategic marketing alliances.

Most Asian SMEs regard passive exports, or OEM, as the most convenient and effective way of establishing internationalization (Lim, 1998; Cyhn, 2000; Kim, 2001; Hobday, 2001), indeed, the economies of these Asian countries have been developing rapidly through the use of this method. Taiwan's experience has much in common with many of the other developing countries, and a natural consequence is that such rapid development has given rise to increased demand for greater market expansion and better global market control.

This study begins with a presentation of the conceptual framework, followed by SME diagnostics in two parts: analysis of the subjective qualifications of SME business owners, and analysis of the objective qualifications of the enterprises. We then undertake an empirical study to test whether the financial conditions and the attitudes of the entrepreneurs are suited to the pursuit of global marketing. Using the fixed results, we explain the different strategic alliances and marketing models for SMEs in different industries, before concluding with a summary of the study.

2. The enterprise diagnostics model

The 'enterprise diagnostics' model is based on the concept of the 'balanced-scorecard' proposed by Kaplan and Norton (1996), which entails the building of objectives and organizational performance measures across four balanced perspectives – financial, customer, internal business processes and learning and growth. Using the balanced scorecard, one may achieve strategic alignment, integrated planning, resource allocation and budgeting processes, in order to develop strategic feedback and effective learning processes within an organization.

We continue the theme by dividing the diagnostic process into two stages: 'subjective qualifications' and 'objective qualifications'. First of all, SME owners need to become aware of the advantages that global strategic alliances in marketing have to offer – this will help them to evaluate methods of boosting their competitive advantage and to increase their profits over the long term. During this stage, we use three dimensions to identify the global outlook of SME business owners including: (i) the internal business process – which includes the understanding of the market and analysis of the competitive advantages and disadvantages; (ii) learning and growth – which focuses on the leaders' values; and (iii) industry attractiveness – adapted from Porter's 'five forces' model. Throughout the testing stage, it is essential to identify the intention to 'go global' amongst entrepreneurs.

In the second stage, SMEs must also begin to understand the environment in which they are currently operating, along with the probable future trends in global marketing. Without such an understanding, it will not be possible for them to undertake successful strategic marketing alliances. The diagnostic questions here relate to two dimensions: (i) financial performance; and (ii) customers. The conceptual outline of this study is provided at Figure 1.

In sum, the feasibility of forming strategic marketing alliances falls into five dimensions: '*internal business processes*', '*learning and growth*', '*industry attractiveness*', '*financial performance*' and '*customers*'. When selecting the degree of feasibility of forming a strategic marketing alliance, each of these dimensions has key diagnostic questions that the enterprise owner must answer. The more positive the response to each of these questions, the more likely it is that the entrepreneur should pursue a global strategic marketing alliance strategy.

3. Empirical study

We use as the population, data from the 1998 *National Business Directory* conducted by Taiwan's Ministry of Economic Affairs, using a stratified random sampling method and a questionnaire survey of manufacturing firms and trading companies. A description of the basic data is presented in Table I.

From a total sample of 600 questionnaires, 156 were returned, giving a response rate of 26%. The questionnaire contained three main sections, the first of which covered the current mode of operations, sales model and degree of competition, whilst the second section asked SME business owners to comment on their enthusiasm for undertaking strategic global marketing alliances. In the third section, those business owners who had stated that they were interested in undertaking strategic global marketing alliances were asked about the type of strategy they would use and the scope of their activities; those who stated that they were not interested were asked to explain the reasons why.

In order to make clear the macro-views of the samples, we use the averaged data rather than the individual firm's personal diagnosis.

The first key factor in undertaking global marketing strategic alliances is the attitude taken by the owner of the business. We asked a total of 32 questions relating to (i) internal business processes; (ii) learning and growth; and (iii) industry attractiveness. The reliability of this section was assessed using Cronbach's coefficient alpha (Nunally, 1978). The coefficients, which ranged from 0.879 to 0.886 (0.883 on average), indicated reasonable degrees of reliability for the construct.

The overall evaluation indicates that based on subjective attitude, the chemical sector demonstrated the strongest global outlook, with the IT and electronics sector having the weakest (see Table II). Business owners generally felt that their strongest area was their understanding of the

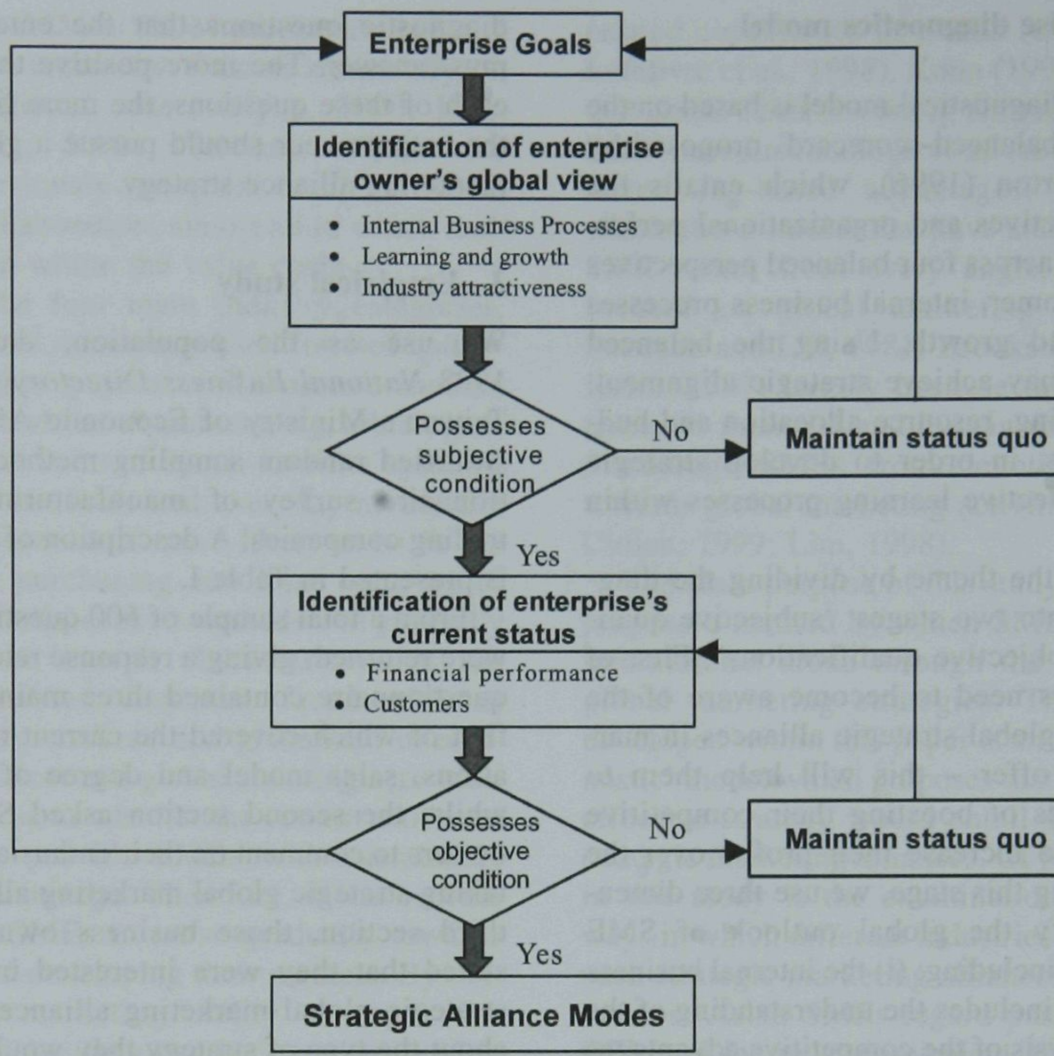

Figure 1. The model for SME strategic alliances in global marketing.

TABLE I
Description of the basic data

Sector	Paid-in capital (US$1,000)	Own capital ratio (%)	No. of employees	Sales method (%)			Export promotion
				Exports only	Domestic sales only	Exports and domestic sales	
Metals and machinery	254.6	82.35 (22.44)	52.85 (111.07)	10.87	19.57	69.57	42.10
IT and electronics	254.3	84.06 (24.99)	64.85 (136.61)	9.76	19.51	70.73	32.50
Chemicals	280.3	86.56 (20.10)	59.93 (77.12)	4.00	28.00	68.00	29.92
Everyday necessities	408.0	80.78 (28.21)	80.80 (105.03)	16.67	23.81	57.14	31.87

Note: Figures in parentheses indicate standard deviation.
Source: Collated for this research.

market, with awareness of their own competitive advantages and disadvantages being their second highest evaluation. Their weakest area was their own personal value schemes.

This suggests that SME business owners have a thorough understanding of their product and of market opportunities, but that they are less confident when it comes to their own expectations of their ability to develop global markets. In spite of this, as Table II shows, the figures in every column are lower than 4, indicating that business owners' enthusiasm for undertaking global marketing is quite high, making for a high probability of the formation of strategic alliances in the future.

In addition to considering the subjective qualifications of the SME business owners, the formation of strategic alliances can also be affected by the SMEs' financial and marketing capabilities.

Although the economy was still in a downturn in 1999, and sales growth rates for the four main industry categories were very low, an examination of the average earning capacity over the past three years demonstrates that the financial performance of SMEs has been capable of supporting global marketing activities (See Table III).

According to the 'Survey on the Current Status of Overseas Investment by Manufacturing Industries' produced by the Ministry of Economic Affairs, for both SMEs and larger enterprises, the proportion of products manufactured overseas that are then exported back to Taiwan has been falling continually. This clearly indicates that companies which have invested overseas are starting to emphasize local sales and exports to markets other than Taiwan. In addition, in terms of international channels, the survey data shows that more than 30% of SMEs directly seek out buyers overseas. Thus, Taiwanese SMEs are gradually starting to secure business opportunities in overseas markets.

As far as product service is concerned, over 76% of enterprises have developed new products independently. In terms of the distribution channel decisions adopted by enterprises, enterprises in the metals and machinery, IT and electronics and chemicals sectors tend to prefer to seek out overseas buyers directly, whilst those in the daily necessities sector prefer to work through overseas agents. The type of distribution channels used relates closely to the type of strategic alliance adopted. The survey data shows that more than 30% of SMEs directly seek out buyers overseas, but more research would be needed to determine whether these enterprises are actually in contact with the end user. Shortening the length of distribution channels is an important issue in the implementation of marketing alliances by SMEs.

TABLE II
SME self-evaluation for globalization

Sector	Internal business processes		Learning and growth	Industry attractiveness
	Understanding of the market (%)	Awareness of competitive advantages and disadvantages (%)	(leader's values) (%)	(five forces) (%)
Metals and machinery	2.8442 (0.95)	3.1705 (0.69)	3.6506 (0.94)	3.4217 (0.90)
IT and electronics	3.0557 (0.86)	3.2390 (0.75)	3.7162 (1.13)	3.3512 (0.89)
Chemicals	2.7033 (0.82)	2.9615 (0. 50)	3.4219 (0.60)	3.3630 (0.83)
Everyday necessities	2.8741 (0.95)	2.9385 (0.57)	3.6890 (0.86)	3.2683 (0.88)

Notes:
1. As the questionnaire was designed to have answers ranging from 1 (very large, very high or very many) to 7 (very low, very small, etc.), the higher the rating, the worse the performance for that sector in that item.
2. Figures in parentheses indicate standard deviation.

TABLE III
The financial capabilities of SMEs

Financial Indictors	Sector			
	Metals and machinery (%)	IT and electronics (%)	Chemicals (%)	Everyday necessities (%)
Business volume growth rate for the most recent year				
0%–3%	63.04	43.90	40.00	58.54
4%–7%	10.87	24.39	16.00	17.07
8%–12%	8.70	9.76	12.00	9.76
12% or higher	17.39	21.95	32.00	14.63
Profits for the most recent year compared to other companies in the same industry				
Higher	10.87	29.27	25.93	14.63
Roughly the same	26.09	31.71	29.63	39.02
Lower	19.57	7.32	29.63	21.95
Don't know	43.48	31.71	14.81	24.39
Average profit ratio for the most recent three years				
0%–3%	28.26	17.07	37.64	47.5
4%–7%	34.78	51.22	29.63	27.5
8%–12%	19.57	17.07	22.22	17.5
12% or higher	17.39	14.63	11.11	7.5

Source: Collated for this research.

As for the promotion strategy adopted, the highest proportion of all SME owners interviewed stated that they visited their customers directly. The next most common strategy was attending trade fairs, followed by the placing of advertisements in purchasing directories. In the future formation of strategic marketing alliances, besides these traditional promotional tools, the government and industry associations will undoubtedly play a more important role in helping SMEs to form promotion-related strategic alliances (see Table IV).

Although collaborative relationships between manufacturers have yet to be established, taking the industry as a whole, it seems inevitable that there will be a move towards international collaborative marketing, with the SMEs making use of their advantages in production and manufacturing, and combining these with the formation of strategic marketing alliances to help them to secure more business opportunities in the future.

Porter and Fuller (1986) argued that enterprises can make use of the strategic alliance model in their global marketing activities in order to maximize economies of scale, reduce costs and minimize the risks involved in developing overseas markets. This allows full use to be made of each participating company's marketing capabilities, particularly when facing the high level of risk and numerous barriers encountered in overseas market development.

In the survey of Taiwanese SME business owners' willingness (or otherwise) to participate in global strategic marketing alliances, the highest level of enthusiasm was found within the chemicals sector (73.08%), with the lowest level in the everyday necessities sector (40.49%). This concurs with the results of the evaluation of SMEs' global outlook provided earlier. Relative to the study of Gomes-Casseres (1997), this suggests that firms that are small, in comparison to their rivals and to the requirements of the market, will tend to use alliances to achieve scale and scope.

The main reason given for any unwillingness to participate in strategic marketing alliances was 'differences in corporate culture' (around 65.6%). The next most common reasons given were the difficulties involved in coordinating the actions of the alliance members, and a lack of trust (about 50.9%).

TABLE IV
Customer indictors

Marketing mix	Sector			
	Metals and machinery (%)	IT and electronics (%)	Chemicals (%)	Everyday necessities (%)
Products (more than one could be selected)				
Have developed new products independently	79.07	79.49	81.48	76.92
Have had products pirated	53.84	45.95	62.50	40.54
Made to order products	43.18	59.00	45.88	47.54
Standard products	56.81	43.65	54.67	41.71
Distribution channels				
Indirect sales through trading companies	20	12.20	12.00	21.95
Seek out overseas buyers directly	37.78	34.15	32.00	19.51
Sale through overseas agents	20.22	21.95	28.00	29.27
Sale through the Taiwan purchasing agents of foreign companies	–	7.32	12.00	2.44
No exports	13.33	9.76	12.00	14.63
Other	6.67	14.64	4.00	12.2
Promotion strategy				
Advertising and letters	24.44	39.02	23.08	23.81
Internet	26.66	41.46	23.08	33.33
Trade shows	53.33	58.54	53.85	42.86
Direct visits to customers	73.33	58.54	65.34	66.67
Placing of ads in purchasing directories	62.22	56.10	46.15	33.33
Other	4.44	7.32	3.85	7.14

Source: Collated for this research.

Table V provides the motivating factors for SMEs' willingness to participate in global strategic marketing alliances. In the metals and machinery sector, the main motivator was the desire to expand product sales channels, with the desire to share their collaborative partners' marketing experience being the second most important factor. Increasing the rate of returns on investment in marketing, and lowering barriers to market entry were also seen as important.

In the IT and electronics sector, the main motivator was the desire to share other companies' marketing experience and technology, followed by the desire to use collaboration to increase market share and the desire to expand sales channels. In the chemicals sector, it was felt that in addition to expanding product sales channels, participation in strategic alliances could also make it easier to enter overseas markets and permit the sharing of experience.

SMEs are restricted by their scale of operations and the resources available to them. Since the majority of SMEs are unable to fully control every link in the value chain, they tend to be rather distinctive in terms of product characteristics, type of global marketing undertaken and operational structure. The data provided above shows that Taiwanese SMEs would generally prefer to collaborate in an 'upstream-downstream' type of alliance. There were a notable 40% of enterprises in favor of government provision of guidance on the formation of strategic alliances, or of seeing strategic alliances promoted by industry associations. They were, however, less enthusiastic about organizing alliances horizontally in the form of a joint venture with other companies.

With regard to the input and effort which enterprises would be prepared to place into strategic alliance activities, enterprises in all four main industry categories were more inclined towards allocating human resources. This enthusiasm for the allocation of human resources was highest in

TABLE V
Global strategic marketing alliances, motivators and preferred and proposed alliances

Inputs and scope of activity	Sector			
	Metals and machinery	IT and electronics	Chemicals	Daily necessities
Willingness to participate in strategic marketing alliances	48.89	53.66	73.08	40.49
Motivation				
Expansion of product sales channels	65.22	40.91	65.00	50.00
Sharing of marketing experience and technology with alliance partners	56.52	45.45	50.00	30.00
Collaboration to increase overall market share	39.13	40.91	40.00	35.00
Promotion of product sales whilst accelerating the rate of returns on marketing investments	52.17	18.18	35.00	40.00
Ease of entry into overseas markets	47.83	22.72	50.00	35.00
Other	8.70	0.00	0.00	5.00
Type of alliance				
Upstream-downstream industry organization	34.78	31.81	25.00	30.00
Horizontal alliance between companies in the same industry producing the same type of product	17.39	9.09	20.00	20.00
Establishment of a specialist marketing company as a joint venture	13.04	9.09	10.00	10.00
Joint funding and joint operation	21.74	9.09	5.00	30.00
Formation of an alliance with government guidance	43.48	27.27	45.00	40.00
Promotion by the industry association	39.13	13.63	25.00	20.00
Other	4.34	0.00	0.00	5.00
Inputs	21.74	31.81	31.58	20.00
Manpower	34.78	40.91	42.11	40.00
Facilities	30.43	22.27	15.79	25.00
Technology	34.78	22.27	15.79	25.00
Management	34.78	22.27	31.58	40.00
Other	0.00	0.00	10.53	5.00
Scope of activity				
Marketing and promotion	65.22	45.45	65.00	55.00
Information exchange	39.13	27.27	25.00	35.00
Joint distribution center	17.39	13.64	15.00	25.00
Joint after-sales service center	30.43	13.64	10.00	25.00
Development of distribution channels	47.83	40.91	35.00	45.00
Other	4.35	0.00	0.00	0.00

Source: Collated for this research.

the metals and machinery sector, and lowest in the IT and electronics sector; concurring with the fact that the IT and electronics sector displayed the lowest overall level of enthusiasm for participation in global marketing alliances.

Finally, with regard to the scope of global strategic marketing alliance activities, enterprises in all four main industry categories felt that joint promotion and development of distribution channels were most important; the establishment of joint distribution centres, or joint after-sales service centres, was viewed as being of lesser importance with one notable exception in the metals and machinery sector, where 30% of enterprises felt that joint after-sales service centres were important.

The above analysis demonstrates that amongst SMEs, the need for global marketing activities is felt most strongly in the metals and machinery sector and least strongly amongst those in the everyday necessities and IT and electronics sectors. SMEs have clearly demonstrated that in any future promotion of global strategic marketing alliances, upstream-downstream alliances would be most readily acceptable, with priority being given to the development of distribution channels.

In this section, based on the empirical results of this study, a number of suggestions are proposed for the formation of global strategic marketing alliances amongst SMEs.

We feel that there is a strong correlation between SME business owners' subjective appraisal of their own operational capabilities, the future trends in their particular industry environment, and their attitude towards other companies within the same industry. We continue with a discussion of the results of a cross-tabulation analysis of SME corporate strategy and that of other companies within the same industry.

As Table VI shows, only the significant correlation coefficients are presented, with the first element detailing an enterprise's internal business processes. With regard to SME business owners' self-evaluation and evaluation of the external environment when seeking out future business development opportunities, and when seeking to collaborate with other companies, this study finds that SME business owners have confidence in their own operations. They feel they have a firmer grasp of potential future changes within their environment, and that they are more likely to be willing to communicate and collaborate with other companies within the same industry. At the same time, where SME business owners feel that they have a strong brand image and reputation, they are less likely to be willing to communicate, or collaborate, but also less likely to engage in fierce competition with other companies within the same industry.

The second element relates to learning and growth. The more enthusiastic leaders are about sharing information with other companies within the same industry, the more willing they will be to collaborate with other companies. The more scope the business owners feel there exists within the industry for future development, the more willing they will be to communicate and collaborate with other companies within the same industry. Thus, in collaborating with other companies, SME business owners are affected by an evaluation of their own abilities; if an SME owner has a higher evaluation of a particular capability, this may reduce his willingness to collaborate with other companies. However, the stronger an SME's grasp of changes to the external environment, the greater the likelihood of its willingness to collaborate with other companies within the same industry or with upstream or downstream manufacturers.

The final element of Table VI refers to industry attractiveness. The higher the business owners' level of understanding of their competitors' products and of future market trends, the greater the likelihood of them communicating and/or collaborating with upstream and downstream companies. Such enterprises are also more likely to undertake ongoing product quality upgrading and to attempt to diversify their operations.

4. Conclusions

Analysis of the survey questionnaire results shows that approximately half of the respondents in this study were willing to undertake strategic marketing alliance activities with other companies. Their motivation included: '*desire to increase product sales channels*', '*desire to share marketing experience and technology with other companies*' and '*desire to promote product sales and speed up the return on investment in marketing*'. Kohn and Gomes-Casseres (1997) proposed a 'deep niche' strategy which characterized these firms' behaviors by market dominance, technological leadership and a producer-good focus. In contrast to Kohn and Gomes-Casseres' research, our strategic alliance model focuses on global marketing and also along industry lines.

The type of global strategic marketing alliance that most SMEs wished to engage in was a global marketing company that would bring together upstream and downstream companies, and whose establishment would be directed by the government. We recommend, therefore, that the following four types of strategic marketing alliances should be promoted. First of all, the setting up of

TABLE VI
Correlation analysis of business owners' subjective views and attitudes to other companies in the same industry

Evaluation	Aspirations (eesires)						
	Upgrade product quality and level	Reduce production costs	Diversify operations	Undertake Internationalization-related Investment	Reduce competition within the industry	Communicate and collaborate with: Companies in the same industry	Communicate and collaborate with: Upstream and downstream companies
Internal business processes							
Confidence in my ability to break into global markets	–	–	–	–	–	0.167	0.155
My company's brand image and reputation among its customers	–	–	–	–	–0.190	–0.201	–
Learning and growth							
My awareness of future market trends	0.196	0.155	–	0.156	–	–	0.171
Level of information exchange between myself and other companies in the same industry	–	–	–	–	–	0.177	–
Industry attractiveness							
My understanding of competitors' products	0.219	–	0.189	0.134	–	–	–
My awareness of competitors' activities	–	–	–	–	–	0.152	–
My views on the scope for future development in my industry	–	–	–	–	–	0.169	0.141

Note: Values in the table are significant at the 95% level.
Source: Collated for this research.

'*upstream-downstream joint after-sales service centres*'. Faced with an increasingly complex product structure, in the provision of after-sales services which product users need, there has been a gradual shift away from the situation of the past, where the retailer was responsible for after-sales service, to the supplier becoming increasingly responsible for providing maintenance services in the local market. SMEs producing a variety of components can join together to establish maintenance service centers in overseas markets, so as to upgrade the competitiveness of their products. Where several companies whose products have similar technological characteristics join up to establish a joint after-sales service centre overseas, this will help SMEs to exploit their maximum specialist component production capability, and may provide a basis for moving directly into global markets. This type of upstream-downstream collaboration in overseas after-sales service centre operation should be directed by product assembly companies, which could then encourage various component suppliers to join forces to provide maintenance services. Maximum effectiveness would be achieved with this form of strategic alliance if industry associations were to coordinate the establishment of these overseas joint after-sales service centres.

The second type of strategic alliance to be promoted is the '*establishment of joint distribution warehouses*'. Faced with rapidly changing market conditions and a gradually increasing level of competition, product transportation time has become one of the main areas where both vendor and buyer can reduce their operating costs and operating risks. More and more buyers are asking suppliers to reduce their delivery times, to deliver the product directly to the buyer's warehouse, and even to deliver the product immediately after receiving the order. If SMEs wish to move into global markets, they need to upgrade the efficiency of their product delivery systems, so as to enable them to shorten delivery times and improve their competitiveness. One of the ways in which SMEs can be helped to upgrade their competitiveness in global markets would be to get several SMEs to join together to establish a joint distribution warehouse. The formation and operation of strategic alliances based around joint overseas distribution warehouses allows for a number of different options, including alliances between companies within the same industry producing similar products, cross-industry alliances in particular regional markets, and joint distribution warehouse alliances directed by the leading manufacturers.

The third type to be recommended is '*regional product development and marketing*'. Taiwan's SMEs are engaged in a wide variety of industries, many of which have very pronounced regional characteristics, and whose products have the potential for globalized marketing. Often, these industries will have particular cultural characteristics, but the majority of SMEs still adhere to their traditional methods of operation, using traditional production technology and marketing concepts, which makes it impossible for them to implement all-round product promotion or to establish a modernized image and style. Consequently, in considering the development opportunities for this kind of industry, modernized design philosophy, technology, production facilities and management concepts need to be introduced in a systematic manner, with the integration of related upstream and downstream enterprises in a strategic alliance that develops, manufactures and sells products with character. This should make it possible for enterprises to develop regional characteristics in the extremely competitive general products market, to develop products with a high level of cultural significance, and to undertake global marketing activities.

Finally, we recommend an alliance concentrating upon '*building domestic and global retail distribution channels*'. Based on the integration of manufacturers of products with similar characteristics, and which have similar trading companies and domestic distributors, SME Development Foundations could be utilized, with financing being provided by the Executive Yuan Development Foundation and private commercial banks. These can help those SMEs in the traditional industries (such as sports and leisure related industries) to establish alliances in retail distribution channels. Operating in a step-by-step manner, this could start with the establishment of distribution channels in the domestic market, moving on to combining the strengths of different companies to form domestic distribution companies, and then establishing joint distribution brands to achieve the preliminary goal of expanding their share of the domestic market. Once they start progressing along the learning curve, they could expand the scope of their market operations, moving into regional markets (such as mainland China or other developing nations). The final stage would be to acquire distribution channels in the major export markets (such as the U.S., Europe and Japan), or employ other feasible methods of establishing retail points for their shared brands. In this way they would be able to establish an optimized global logistical network covering research and development, manufacturing, purchasing, marketing and distribution, and thereby strengthen the SMEs' global marketing capability and market position.

The role that the government can play in the promotion of strategic alliances between SMEs is also important. The government should assume a role which involves internalizing external benefits, creating more tax revenues, and so on, and participating in a variety of methods in the formation of global strategic marketing alliances between SMEs. For example, a variety of channels and methods should be used to make SMEs aware of the benefits of collaboration, thereby making SMEs more willing to undertake collaboration of their own volition. Moreover, establishing an appropriate mechanism where the overseas offices of CETRA and other government agencies could bring together the production technology of Taiwanese SMEs, the capital and market knowledge of Overseas Chinese businesspeople (both those who have recently moved overseas to establish business, and those who have been established there for some time) and the personal contacts and marketing know-how possessed by local businesses in the country concerned, using the method of strategic alliances to establish an SME global marketing and distribution network. This is a further approach which the government in Taiwan may wish to consider adopting.

This study does have its shortcomings, one of which is that the diagnostic model is applied to the more traditional industries and to some quite mature industrial products, thus it may not be suitable for an SME starting up as a global company or one which belongs to an emerging industry, such as Internet service type companies. A further limitation of this study is that it has not directly measured the effects on SMEs' performance or profitability as they form their global marketing alliances. Although this particular limitation would not necessarily undermine our findings or proposals on the formation of a strategic alliance in marketing, additional research, which would entail measuring this relationship, is clearly needed to reconfirm our findings.

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