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Piggybacking your way to independent internationalization

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Piggybacking your way to independent internationalization

by

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John Kåre Solem

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A local cluster going international: Balancing local and non-local networking?

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Preface

This report is based on a master thesis written by Vidar Horne and John Kåre Solem. They were both master students at BI Norwegian Business School, and involved in the program: Master of Science in International Management. The thesis is part of the research project: "A local cluster going international: Balancing local and non-local networking?" financed by The Research Council of Norway, NCE Subsea and NCE Maritime and led by associate professor Inger Beate Pettersen at BI Norwegian Business School.

The authors wish to acknowledge the eight informants (firms in Bergen), supervisor, Professor Carl Arthur Solberg from BI Norwegian Business School, and associate professor Inger Beate Pettersen and Anita E. Tobiassen (also at BI). Tobiassen and Pettersen, both researchers in the project, have contributed with relevant literature in the early phase of the thesis and have given valuable advice during the research process. The authors appreciate the support and inspiration from all during the research project.

The report is mainly identical with the master thesis, but contains some small changes. Pettersen has been responsible for the final report. In the final report, a summary of the thesis has been added. A large part of the methodology and appendices have been cut. Last, Pettersen has proof-read the report.

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Summary

The purpose of this study has been to increase the understanding of piggybacking in international market entry. A piggybacking relationship consists of two partners, a rider (SME) and a carrier, where the rider exploits the marketing system of the carrier. Piggybacking comes in different forms, but our focus has been piggybacking as a means to enter the international market. A rider pertaining to such a relationship enters the international market either by exporting indirectly through the carrier or by establishing abroad together with the carrier. These relationships are beneficial when the rider lacks resources and competencies to conduct independent international strategies. The literature emphasizes that such relationships have finite lives and will cease to exist when the rider has achieved the necessary qualifications. However, the literature has not investigated how the rider can use the piggybacking relationship to improve its resource base and competencies or what happens when the piggybacking relationship ends. That has been the purpose of our study where we have tried to answer the question: *"Under which circumstances do piggybacking increase the probability of a rider evolving into an independent international actor"*.

In research literature investigating piggybacking, we found that piggybacking can be employed in different ways and decided to classify riders into three different rider modes, depending on their degree of foreign experience and resource commitment to international activities. The Exporting Rider (ER) sells to the international market by exporting indirectly through a domestically established carrier. Thus, the ER would not gain any foreign experience. The Involved Rider (IR) resembles the ER, as it also sells indirectly through a domestically established carrier. However, the carrier invites the rider abroad for specific transactions such as training of personnel or product maintenance. The IR gains some foreign experience but does not commit substantial resources to their international activity. The Foreign-established Rider (FR) is established abroad together with their carrier. Here, the carrier invites the rider to co-establish. The FR has a high degree of foreign experience and commits substantial resources relative to the other rider modes.

The above categorization is central to the study. Based on network theory and the Uppsala theory specifically, we have argued that FRs will be more embedded in the carrier's network and have a higher probability of discovering market opportunities and gain network knowledge. Also, based on theory concerning lock-in, we have argued that FRs are less likely

to experience the issue of lock-in towards their carrier. Thus, the FRs should be in a better position to develop independent international strategies. Further, we have reviewed literature concerning entrepreneurship, international planning and high technology products. Relating relevant theory to piggybacking, we argue that high entrepreneurial attitude, flexibility towards international planning and delivery of high technology products are factors that increase the probability of developing independent international strategies. Based on the above theory, we present the following six propositions:

- *P1: FRs have the highest probability of discovering market opportunities, whereas IRs have a higher probability than ERs.*
- *P2: FRs have the highest probability of gaining network knowledge, whereas IRs have a higher probability than ERs.*
- *P3: FRs have a lesser probability of experiencing lock-in, whereas IRs have a lesser probability than ERs.*
- *P4: High entrepreneurial attitude increases the probability of independent internationalization for all piggybacking modes.*
- *P5: A high level of rigidity in a rider's business planning reduces the probability of independent internationalization.*
- *P6: Riders producing specialized niche products have a higher probability of independent internationalization relative to riders producing generic products.*

Method

To answer the research question and propositions, we conducted a multiple-case analysis with an emphasis on in-depth interviews. Our cases consisted of eight firms that act as riders in a piggybacking relationship. All the three rider modes were covered, making it possible to compare the rider modes. The selected cases are located in the NCE Subsea cluster in the Bergen region. We developed a semi-structured interview guide based on the theoretical ideas in the propositions. As we applied explorative research, we encouraged flexibility in discussions with informants to gain new knowledge.

Findings

The findings suggest that firms belonging to the FR mode have a higher probability of developing independent international strategies. Because they get access to the carrier's network, they are more exposed to market opportunities and network knowledge. However, because both FRs and their corresponding carrier invest more resources in the piggybacking relationship, FRs are more prone to becoming dependent on their carrier, thereby experiencing lock-in. Thus, the findings support P1 and P2, but suggest the opposite of P3. With regard to P4 and P5, the findings suggest that entrepreneurship and flexibility towards planning are factors that contribute positively to internationalization. Still, this applies not only to independent internationalization, but also internationalization dependent on the carrier. The FRs that established abroad did not initially plan it, they seized opportunities that occurred. This is a behaviour that can be considered both entrepreneurial and flexible. However, by establishing abroad with a carrier, they followed an internationalization route dependent on their carrier. Lastly, we were not able to answer P6 as we did not have sufficient variation in our cases. The cases we studied can all be considered high-technology firms.

Managerial implications

Based on the analysis, we have identified factors that riders should be aware of when considering independent international expansion. A priority for the rider should be to develop a close relationship to the carrier. We find that most opportunities are discovered in the direct relationship to the carrier and not its corresponding network. Opportunities often arise when the carrier invites the rider into new projects. However, the carrier has multiple suppliers whereas the rider often relies on only one carrier. The rider therefore will need to stand out and prove it has the necessary qualifications. In that respect, an entrepreneurial attitude is of significance in developing the relationship.

A strengthening of the relationship with the carrier is by definition dependent internationalization. If riders aim to develop independent internationalization strategies, they should search for opportunities, build networks and gain network related knowledge. Further, our findings suggest that type of foreign experience apart from foreign establishment do also matter. Foreign experience that yields the necessary interaction with carrier or end customers is of great importance. Riders that are able to interact with the carrier at the management level when abroad are able to develop personal relations, an element which is important in gaining knowledge, opportunities and network. However, IRs who go abroad for product maintenance or product installations, miss out the possibility to develop personal relations and do not gain the same effect.

Another factor that should be taken into consideration is the nature of the product. Even though we were not able to answer P6, we see that there are differences in product characteristics between the rider modes. All firms deliver high quality products, but there are differences in product complexity. FRs deliver products that are more technical and complex than both ERs and IRs. Firms delivering such products may be seen as more attractive for carriers to invite abroad as they have greater potential for further product development and market specific development. Also, they may be more prone to needing maintenance and thus, it may be useful for the carrier to have the rider close to the market.

Discussion and future studies

Earlier, we have commented on the necessity of ultimately ending the relationship. Theory assumes that piggybacking will cease to exist when the rider has the necessary competencies and resources. We did not find that this holds true. Many of the firms we studied had developed independent internationalization strategies, but still relied on piggybacking related to some markets. Firms operated in different markets, and the optimal strategy – piggybacking or independent strategy - varied across markets. Being established together with a larger partner reduced the entry barriers, but the advantages did not necessarily diminish in the post entry stage.

Our research shed new light on the piggybacking phenomenon and some findings contradicted with previous research. Future research should therefore aim to enhance the understanding of piggybacking. First, piggybacking is not the sole alternative for a rider's international activity, and it would be interesting to identify the decisive arguments for choosing piggybacking before other alternatives. Second, as shown in our research, piggybacking did not necessarily have a finite life. Future studies should therefore investigate riders' assessments whether to end the relationship or not. Third, further studies should incorporate industrial differences and how these affect the rider-carrier relationship. Finally, we found that the direct relationship between the rider and carrier is more important than initially expected, and research would benefit from a more thorough exploration of the benefits the rider gains in the direct relationship with the carrier.

Introduction

1.1 What is the paper about?

Piggybacking has been called "a quick road to internationalization", but what happens when the piggybacking relationship ends? In this paper we will examine factors that give piggybacking riders a higher probability of becoming independent international firms. In today's business world, firms in highly globalized industries are not always in a position to choose whether they want to compete on the global arena or not. International competition is stiff and powerful international trade organizations work to reduce trade barriers. Multinational enterprises with sufficient resources of personnel, economy and knowledge are able to participate and take advantage of the globalization of industries.

However, internationalization challenges the working conditions for small domestic firms in many industries. These firms often founded by entrepreneurs, deliver high quality products. Still, they lack resources compared to larger companies and need to find alternative ways of entering international markets. For many firms, this alternative is to piggyback on the marketing system of larger firms. Piggybacking is a non-equity relationship, meaning that the small and medium-sized firm (SME) must contribute to the relationship (Telser 1980, as cited in Terpstra and Yu 1990), a contribution which often manifests itself as a product desired by the multinational enterprise (MNE). The contribution of the MNE is entrance to the foreign market. The barriers with entering the foreign international market is overcome either by exporting indirectly through the MNE's domestic subsidiary or by the MNE inviting the firm to co-establish abroad.

However, a piggybacking relationship is not considered to have an infinite life (Terpstra and Yu 1990). Both firms commit to the relationship to compromise for lack of resources, and at one point in time, the SME will gain the necessary experience and resources to expand independently (Chapman et al. 2004). What happens then? Previous literature has concluded that piggybacking is not infinite, but has not examined how the SME can take advantage of the relationship to develop independent international strategies. Thus, our research question is:

"Under which circumstances do piggybacking increase the probability of a rider evolving into an independent international actor?"

1.2 Why is it important?

The research has both important theoretical and practical implications. Little research has investigated the phenomenon of piggybacking. The concept of piggybacking in business research is quite recent and was first treated by Terpstra and Yu (1990). The concept has subsequently not received all that much attention, and we have not registered literature that seeks to explore the positive outcomes of piggybacking for SMEs. This is quite interesting as previous literature (Terpstra and Yu 1990, Chapman et al. 2004) assume that piggybacking relationships have finite lives.

This research is part of the larger research project “A local cluster going international: balancing local and non-local networking?” financed by the Research Council of Norway, NCE Subsea and NCE Maritime. This project investigates the internationalization process of firms in the subsea cluster in the Bergen region. To explain the practical implications of our research, it is appropriate to refer to this cluster. In the oil and gas industry, there is an increasing global tendency that national authorities increase local content requirements (INTSOK 2006). This means that firms are required to use local suppliers and firms from the countries they establish in. Local content requirements are supposed to be a tool to sustain and develop local industry and local suppliers. As this is a global industry with a high share of international sales, local content has important implications. Large companies may be forced to use local suppliers when entering new markets. Also, smaller suppliers, SMEs, will need to invest and establish in host markets in order to make contracts and establish partnerships to expand internationally.

Thus, local content requirements are a challenge for cluster dynamics and forces firms that have earlier depended on cluster relationships to seek international partners. Pettersen et al. (2008) describe the NCE Subsea cluster as a cluster with a few large firms that operate globally (MNEs) and a larger amount of SMEs with less international experience. The MNEs and SMEs cooperate closely and the latter have been highly dependent on the MNEs in their internationalization, for which they function as subcontractors. This means that a large part of the SMEs’ international sales are indirectly exported through the larger firms. Piggybacking relationships therefore have been highly important for SMEs in the NCE Subsea cluster. However, with the increasing requirements for local content, and an acknowledgement that the oil and gas industry is global, being mainly dependent on larger firms is not considered sustainable in the long run. SMEs in the clusters will need to strive for a more independent internationalization process. Thus, further information on how to use the piggybacking relationship and how to proceed when the relationship ends would be valuable for the SMEs.

1.3 How will we proceed?

First, we review the piggybacking literature. On the basis of the review we end up in a hierarchical classification of rider modes. We then examine the deeper intricacies of network membership and the knowledge exchange that happens in business networks, drawing on network theory generally and the Uppsala theory specifically. Our theoretical considerations are then followed by an explanation of the lock-in effect and the implications of entrepreneurial attitudes, before we continue with a description of the differences between planned and unplanned strategies and the significance of specialized products in high-technology firms.

In our discussion we develop a conceptual model that contributes to the understanding of how riders in a piggybacking relationship can become independent. We have developed six propositions, and our claims are that higher involvement in networks, along with a keen entrepreneurial spirit, are the most important factors that influence the independency after the piggybacking relationship. Also, firms that are less rigid in their business planning and those providing the market with highly specialized products will have a higher probability of independent success.

To answer the propositions, we have conducted a case study research. After a discussion concerning methodology, the paper gives a description of the data analysis, ultimately leading to the conclusion focusing on both practical and theoretical implications.

2. Literature Review

2.1 Defining piggybacking

In the most basic sense, a piggybacking relationship is a form of marketing collaboration where firms seek to achieve a goal by allying with partners that complement their strengths and weaknesses (Terpstra and Yu 1990). However, different from collaboration practices such as joint ventures or mergers, piggybacking is a non-equity relationship where the partners maintain their independence. This means that for such a relationship to hold, both partners need to perceive themselves better off by the agreement than the alternative; ending the relationship (Telser, 1980 as cited in Terpstra and Yu 1990).

According to Terpstra and Yu (1990), piggybacking consists of both a carrier and a rider, where the carrier markets the rider's products. Such a loose description of the term does not put heavy limitations on the practice, meaning that piggybacking can occur in different forms. Depending on the characteristics of the rider and its products, it may use the carrier to establish in a new market or simply use the carrier to distribute a new product. Although piggybacking can be used to serve domestic purposes, our focus will be on piggybacking as a means to overcome barriers with entering foreign markets. However, this does not necessarily require foreign establishment. Piggybacking for international purposes can be performed through exporting from the domestic headquarter, or indirect exporting through a domestically established carrier (Terpstra and Yu 1990).

Piggybacking connotes someone riding on someone else's back, implying that there are differences in strength and size between the allies. For a carrier to take on the marketing activities of the rider's products, the carrier must be in possession of some characteristics that the rider is lacking. Chapman et al. (2004) find an increasing recognition among SMEs in the Aberdeen oil cluster that networking with larger firms brings advantages such as new market opportunities and increased learning. This is supported by Echeverri-Carroll et al. (1998) who find that firms in high-technology sectors are vertically disintegrating, leading to larger firms specializing in their core functions and subcontracting other functions to the smaller firms. Such networks are characterized by asymmetry, meaning unequal power relations and dependence between the partners. The rider will in most cases be more dependent on the carrier than the opposite, often because a higher proportion of their total sales depend on the success of the piggybacking relative to the carrier. Terpstra and Yu (1990) point to the fact that the input needed by the carrier is a specific product that can be marketed through an already existing marketing system. If the relationship is ended, the carrier's loss is limited to the loss of the rider's product. The rider's loss is however greater, as it loses the whole marketing system the carrier provides.

Although piggybacking has several advantages, such an arrangement is seen as a transitional strategy with a finite life (Terpstra and Yu 1990). The rider enters such relationships to compromise for lack of resources and competencies within its own firm. However, as the firm gains experience through such relationships, the benefits will decrease to a point where another mode of operation will be preferred. This is supported by Chapman et al. (2004) who claim that piggybacking will subsequently lead to independent expansion when the piggybacking relationship has made the rider able to retain strategic control over their operations.

Piggybacking comes in different forms. We have chosen to classify the phenomenon in three different groups based on Raines et al.'s (2001) findings in their study of the linkages of localized multinationals and the globalization of local business networks in the oil-gas and electronics industry. They found that the rider will commit to different degrees in the relationship in terms of resources and investments and will have different degrees of experience with the foreign market. We believe that these differences in the riders' choice will influence riders' ability to expand independently. Therefore, we classify the different piggybacking relationships as following:

1. Exporting Rider (ER)

A domestically established rider sells internationally by selling through a carrier. The carrier moves the products to the international market either by resale or by bringing the products to the carrier's foreign subsidiary. The rider exports indirectly and gains no foreign experience.

2. Involved Rider (IR)

The involved rider resembles the exporting rider as their international sale is based on indirect export through a carrier. However, the carrier invites the rider into the export markets for specific transactions to train personnel or for product installations.

3. Foreign-established Rider (FR)

Here the rider follows the carrier into their foreign market by establishing their own subsidiary close to the carrier. The rider is invited to co-establish with the carrier for reason of cooperation.

The degree of experience in the foreign market will increase progressively when moving from 1 – 3. Also, both ERs and IRs will have low resource commitment compared to FRs. These findings are summarized in Table 1. An important assumption is that the rider modes are organized in a hierarchy where FR has the highest probability of evolving into an independent international firm.

Table 1: *Different rider modes*

	ER	IR	FR
Resource Commitment	Low	Low	High
Foreign Experience	Low	Medium	High

(Based on Raines et al. 2001)

2.2 Membership in networks

As SMEs are piggybacking on the marketing systems of MNEs, they are tapping into the networks of the larger firms. We will now look more closely into how the mere presence in a larger network can facilitate the internationalization of SMEs. According to Johanson and Vahlne (2003, 2009) there is nothing outside the relationship. They argue that markets are made up by webs of complex relationships between firms and their suppliers and customers. Being established inside a network is a necessary condition for successful business development, and firms trying to enter a foreign market where it is not enrolled in a network will suffer from the liability of outsidership (Johanson and Vahlne 2009). An important point in their argument is the development of knowledge, trust and opportunities in the network. We will return to the discussion concerning knowledge next. For now the assumption is that since knowledge is created between partners in the network, outsiders will not have access to this knowledge. Opportunities are then identified and exploited based on the network knowledge and the interaction between partners that commit to the relationship because trust has been developed (Johanson and Vahlne 2009). A similar view is presented by Coviello and Munro (1997) in their case study of four New Zealand-based software firms. They find that

SMEs are presented with market opportunities and potential partners through their international networks, thereby being shaped in their international process, suggesting that enrolment in a network is a necessary precondition in the maturing of SMEs' internationalization process.

There are however studies presenting contrasting findings. Ojala (2009) finds that knowledge-intensive SMEs entering distant markets are not influenced by their networks, but rather enter because of strategic reasons. He states that following their networks, SMEs might actually lose out on market opportunities and end up where market potential is low. This means that for opportunities to be discovered by SMEs, an active role must be taken.

Relationships formed through networks are not only of a formal character. Information disseminates through society via social clusters, and social network theorists claim that the social structure within a network creates opportunities for some people, but not for others (Ellis 2000). According to Ellis (2000), market opportunities are commonly acquired through an individual's social network and decisions made upon information from social ties are much more prominent than formal search activities based on objective data. These findings are consistent with Johanson and Vahlne's (2009) claim that establishing relationships are of the most important in the internationalization process. Arenius (2005) finds support for the positive effect of social ties, or what she describes as social capital, defined as the quality of the external relationships possessed by the firm. According to her, social capital can help in attaining foreign partners through valuable contacts in networks. When firms possess high social capital, they also become more attractive as partners. This can be related to issues concerning risks and uncertainty. Decision makers respond to costs related to risk by placing more reliance upon social networks. Thus, social capital becomes a means to increase legitimacy and market power.

2.3 Knowledge in networks

Returning to the paper by Terpstra and Yu (1990), the rider and the carrier in a piggybacking relationship commit to these relationships to overcome the barriers of lacking knowledge. Whereas the carrier buys the rider's products because the appropriate knowledge for production is perceived to be too costly to acquire, the rider will, in addition to managerial shortcomings, also lack knowledge of foreign markets. However, as these relationships mature over time, we assume that some of the knowledge will be transferred between the firms. We will in the following paragraphs discuss what types of knowledge that is important in the internationalization process and knowledge dissemination between firms in network relationships.

When internationalizing, firms depend on different types of knowledge. Researchers focus on different aspects concerning knowledge. Eriksson et al. (1997) identify three components of knowledge critical to internationalization; internationalization knowledge, foreign business knowledge and institutional knowledge. Internationalization knowledge concerns the knowledge of the firm's capabilities and resources to operate in international markets. This kind of knowledge is firm-specific and describes the firm's ability to organize and manage internationalization activities. Business knowledge is more external as it concerns knowledge about customers, markets and competitors in the foreign markets. Institutional knowledge is defined as knowledge of governments, political and institutional frameworks and the way in which the bureaucracy works in the foreign markets in which the firms are engaged in. Mejri and Umemoto (2010) capture business and institutional knowledge into what they describe as market knowledge. They argue that the accumulation of this kind of knowledge is critical in the pre-internationalization phase to reduce the uncertainty and high risk of market entry. They also discuss the importance of cultural knowledge, which they refer to as *"knowledge of values, manners, and ways of thinking of people in that market"* (Mejri and Umemoto 2010, 5). Similar to institutional knowledge, cultural knowledge is associated with reducing uncertainty factors that make it hard to understand foreign environments, a concept that in the literature is commonly referred to as psychic distance (Johanson and Vahlne 1977). Also, Johanson and Vahlne (2009) point to the importance of knowledge concerning how to coordinate relationships. Thus, researchers' description and classification of different types of knowledge indicates the complexity of knowledge in the internationalization process.

A central element in the Uppsala model (Johanson and Vahlne 1977) is that the internationalization process is driven by direct experience and learning about operations in foreign markets. This kind of learning is termed experiential learning and is the cornerstone in reducing uncertainty associated with foreign market commitments (Johanson and Vahlne 2003). Building such knowledge takes time, leading to an incremental increase in commitments in foreign markets. However, the Uppsala model has been confronted by criticism, as some researchers claim that the incremental view of internationalization is no longer as valid as before (Bell 1995), while others claim that the experiential view of learning is too narrow (Forsgren 2002). Also, many studies have focused on the increasing importance of networks in the internationalization process of firms (Coviello and Munro 1997).

In a recent article by Johanson and Vahlne (2009), they present a revised version of the Uppsala model, acknowledging the limitations of their original work when explaining knowledge creation. While retaining experiential learning as a critical part of the model, they conclude that this is not the only way to develop knowledge. However, their main proposal is that knowledge is created and accessed through networks. We have previously discussed how firms outside networks suffer from the liability of outsidership. If firms are not enrolled in networks, they will not have access to network knowledge. Johanson and Vahlne (2009) describe how lack of business market knowledge, which is related to the firm's business environment and actors they are doing business with, constitutes the liability of outsidership. Or, in other words, being enrolled in networks and gaining access to its knowledge help overcome this liability. Further, when firms have access to network knowledge, they will more easily discover and exploit opportunities, as discussed earlier. Moreover, networks do not limit firms' access to knowledge. According to the revised Uppsala model (Johanson and Vahlne 2009), the interaction between actors and their knowledge base may also lead to new knowledge, partially explaining the success of innovations developed between firms.

In his critical review of the original Uppsala model (2002), Forsgren proposes that firms invest in foreign markets without own experiential knowledge. He claims that firms may reduce perceived risk when entering foreign markets by imitating successful firms – and thereby taking shortcuts. Forsgren (2002) does not take the networking perspective into consideration, but networks can give access to successful formulas and best practices when investing abroad, according to the revised Uppsala model. Also, Aitken et al.'s (1997) thorough investigation of spillover effects show that locating near other multinational firms increases the probability of exporting. Although this increase in exporting relates to accessing the same distribution channels, the spillover effects also relate to learning as potential exporters avoid costs and reduce risk by observing already successful exporters. Aitken et al. (1997) provide statistical evidence supporting that exporting firms function as catalysts for domestic exporters; however the positive correlations are only present when established within the proximity of multinational firms.

The dissemination of knowledge between actors in a network is not exempt from complications. Lord and Ranft (2000) examine barriers of local market knowledge dissemination. They find that a high degree of tacitness is negatively associated with transfer. Tacit knowledge is largely accumulated through personal experience and cannot easily be separated from those possessing it (Lord and Ranft 2000). Local market knowledge and the other types of knowledge mentioned at the beginning of this chapter are often tacit in nature. The knowledge may concern differences in culture and language, specific information about markets and information about institutions and bureaucracy. This is knowledge that is preferably acquired through first-hand experience, thereby making it more difficult to disseminate. This points to the importance of direct experience, and underscore the importance of experiential learning. In their research of experiential knowledge and cost in the internationalization process, Eriksson et al. (1997) find that firms gain little experience by sporadic interaction with market actors. They stress the importance of direct experience and durable and repetitive interactions abroad. Since knowledge dissemination in networks often is assumed to be accumulated through a firm's direct experience in a market and then transferred to other firms, the argument claiming for direct experience challenges the contribution of knowledge dissemination in networks. According to Cubillo-Pinilla (2008), firms with closer and more productive ties will have a better flow of information. In such relationships, the quality of the channels of communication will be better since the interdependencies between the firms are greater, thereby improving information exchange.

2.4 Lock-in in piggybacking relationships

In this chapter we discuss how piggybacking relationships affect the independence of SMEs. One of the main disadvantages of a piggybacking relationship is that the SME can become locked-in, or in other words, dependent on the MNE.

Echeverri-Carroll et al. (1998) believe lock-in is a relevant problem when the difference in size of the firms involved in the network or the relationship is large. This again will determine how the benefits are shared between the two parties. We will present two hypotheses that differ in terms of whether they believe lock-in is a relevant problem or not. The Management of Territory Hypothesis (MTH) states that the existence of a network generates asymmetric arrangements. The asymmetry depends on the unequal division of power among firms, where the relative power is correlated with the size of the firms. The Increased Independence

Hypothesis (IIH) states the opposite, that relationships between a small firm and large firm present opportunities for the small firm in terms of access to knowledge. Furthermore, the small firm does not risk becoming dependent on the large firm, because the relationship provides mutual benefits (Echeverri-Carroll et. al. 1998).

According to the MTH (Echeverri-Carroll et al. 1998) piggybacking relationships are expensive to establish. The SME must organize production and plan how they are going to deliver the products to the MNE. This is a process that is time consuming and needs planning. There are also switching costs related to ending the relationship at a later stage; therefore SMEs become locked-in. The piggybacking relationship makes the SME less flexible. By increasing control, the larger firm can assure that they get high quality products on time. Conversely, the SME loses control over its strategic decisions. Since the SME has limited production capacity, the relationship will also prevent the firm from developing new relationships and enter new business contracts. This is supported by Coviello and Munro (1997), who claim that network relationships speed up the internationalization process; but may constrain other opportunities for the firm.

Echeverri-Carroll et al.'s (1998) research finds support for the IIH claiming that the asymmetric relationship does not lock-in SMEs. In the study, it is shown that small high-tech firms gain, for instance, experience from establishing a relationship with an MNE. The relationship consists of mutual exchange of information, and the relationship helps small firms to export by making them more competitive. This means the asymmetric relationship helps the small firm to develop indirect export which enhances their competitiveness. A relationship with foreign firms has a direct effect on high-tech firms' exports, independently of the small firm's actual network with large local firms (Echeverri-Carroll et al. 1998). The study also indicates that small firms benefit from the relationship since they get access to information and that the asymmetric relationship increases their flexibility. Bradley et al. (2006) stress the importance of preventing opportunistic behaviour; it is necessary for the smaller firm to ensure that the benefits of supplier-customer relationships are reciprocal and that asymmetrical dependence is avoided.

2.5 Entrepreneurship

Entrepreneurship is a multidimensional phenomenon and an activity that consists of several elements. When searching for this concept in the literature, we find no exact definition. Below, we explain the meaning and our interpretation of entrepreneurship, and we will also emphasize the characteristics of the entrepreneurial individual to explain why this can be beneficial for a rider.

Gartner (1985), as cited in Becherer et al. (1999), developed a model that explains the most important dimensions of entrepreneurship. The author claims that interaction between the individual and the environment surrounding the venture can facilitate business opportunities. He further propose that entrepreneurial behaviour is governed by experimentation and learning, and they emphasize that entrepreneurial behaviour is strongly influenced by random events (Becherer et al. 1999). Chell (2007) claims opportunity recognition characterizes entrepreneurs. She states that individuals are good at recognizing and pursuing opportunities that create value for the organization, and that they are primarily driven by challenges. Another study by Morris et al. (2002) finds that entrepreneurs are focused on value creation, proactive identification and exploitation of opportunities. Entrepreneurs are also known as networkers (Birley 1985), and they use their social and personal networks to find and exploit opportunities.

Another important characteristic of an entrepreneur is proactive behaviour, defined as the extent to which people take action to influence their environments (Bateman and Crant 1993, as cited in Becherer et al. 1999). Bateman and Crant (1993), as cited in Becherer et al. (1999, 30), describe proactive individuals in the following way: *"(t)hey scan for opportunities, show initiative, take action, and persevere until they reach closure by bringing about change"*. The authors believe that proactivity and entrepreneurship is directly related, being supported by Becherer's study (Becherer et al. 1990). Inherent from definitions, proactive behaviour is important if the entrepreneur wants to experiment and learn from the environment. The learning process is influenced by the way the individual interprets the environment.

A key assumption is that entrepreneurs are likely to have a greater propensity to take chances and thrive in high-risk situations (Busenitz 1999), and substantial research characterizes entrepreneurs as risk-takers (Palich and Bagby 1995). However, researchers lack empirical evidence supporting this claim. Brockhaus (1980) found that the risk propensity of entrepreneurs do not differ significantly from the rest of the general population. However, according to Palich and Bagby (1995), entrepreneurs are notably more optimistic in their assessments of business situations. Entrepreneurs tend to evaluate situations more favourably and see opportunities rather than threats. They are also more optimistic towards future business performance rather than fearing deterioration.

2.6 Type of planning

As discussed above, proactive behaviour is an important aspect in the internationalization process as it explains how entrepreneurs discover and exploit opportunities, thereby creating value for the rider. Opportunities can occur in the entrepreneurs' personal networks and relationships, and it will be harder to recognize opportunities when the firm is rigid in planning business behaviour.

Riders are often SMEs. And the managers in SMEs have generally more decision-making power than managers in larger companies since the organization is significantly smaller. The smaller firms also lack experience and knowledge and are likely to have fewer strategic objectives because of these constraints. This means that there is less chance for planned behaviour as the firm is in an early phase of internationalization. Therefore, to achieve higher international involvement, management needs to compensate for lack of sufficient planning by demonstrating more eagerness towards international expansion and has to be more flexible in seizing opportunities (Cavusgil, 1984, cited in Crick et al. 2005).

Serendipity concerns the seizing of opportunities that arise and that the entrepreneur is ready to take advantage of them (Crick et al. 2005). Such behaviour is beneficial for the rider in the pre-entry stage, since the firm depend on decision makers that take initiative. Crick et al. (2005) found that international entrepreneurial decisions are not as rational and planned as much of the literature suggests. Johanson and Vahlne (2009) support Crick et al. (2005), claiming that both internationalization and entrepreneurial processes take place under genuine uncertainty and are in most cases unplanned. According to Solberg (2006), Johanson and Vahlne (1977) offer two explanations for why smaller firms typically do not plan their actions. First, they are newcomers to foreign markets, and therefore lack resources and experience to carry out market research. Secondly, they lack the necessary insight into foreign marketing issues, and have difficulties to define their needs. Solberg et al. (2003) explain that business opportunities arise coincidentally, rather than through market planning. The authors also emphasize that small firms with low preparedness for internationalization, and which operate in a global industry, will have difficulties in business planning because of lack of information and planning abilities. However, in later stages, the firm would benefit from increasing the strategic and planned behaviour, since the firm now has more experience and knowledge than in the earlier pre-entry stage. Still, it is important to emphasize that also in this stage too much rigidity in business planning will hinder the firm in exploiting opportunities.

2.7 Type of product

The potential for global success differs among products. We will now take a closer look at firms in high-tech industries and how differences in characteristics of products will help or hinder in achieving global sale.

Chapman et al. (2004) investigate the development of the Aberdeen oil cluster. What they find is that firms diversify their operations in various directions. Some firms favour geographical diversifications into overseas oil-markets, whereas others choose sectorial diversifications, where the latter means bringing oil-related expertise into non-oil markets (Chapman et al. 2004). The explanation for choosing either seems to stem from characteristics of the products that they offer. Those firms that choose sectorial diversification are mainly engaged in the more generic downstream activities. Oppositely, highly specialized firms in the upstream end are more suited for and likely to involve in geographical diversification. These are firms that offer niche products for their customers. Niche products are associated with expertise and skills and firms are thereby considered high-reputation specialists in their field. Being perceived as experts and experienced is considered a principal asset for a firm that facilitate foreign market entry.

Hills and Sarin’s (2003) characterization of high technology industries explain why expertise and experience is critical in these industries. They describe an industry that scores high on uncertainty both in technology and market and where the competitive situation is highly volatile. Uncertainty arises due to doubts about the functionality of the technology, whether it suits market needs and whether the market accepts the technology as a standard. Also, the rate of change in the market is high as the competitor basis is constantly changing. High-tech industries are, in other words, characterized by a high degree of perceived risk by the participants. In these situations, expertise and experience becomes the most important competitive advantage in geographical diversification as it helps reduce the inherent risk for customers. Thus, highly-specialized firms that offer niche products, signal expertise and skills via their products and thereby facilitate foreign market entry.

3. Discussion and proposition development

Here we discuss the main insights from the literature review and present our research propositions. We develop a conceptual model where we assume four main factors influencing a rider's probability of independent internationalization success (Figure 1). In the model we emphasize rider modes that are most likely to exploit the benefits that arise from being embedded in a network, thereby having a higher probability of independent internationalization. Further, we also propose that the level of entrepreneurship, the firm's rigidity in planning and type of product will affect the firm's ability to succeed without the aid of the carrier.

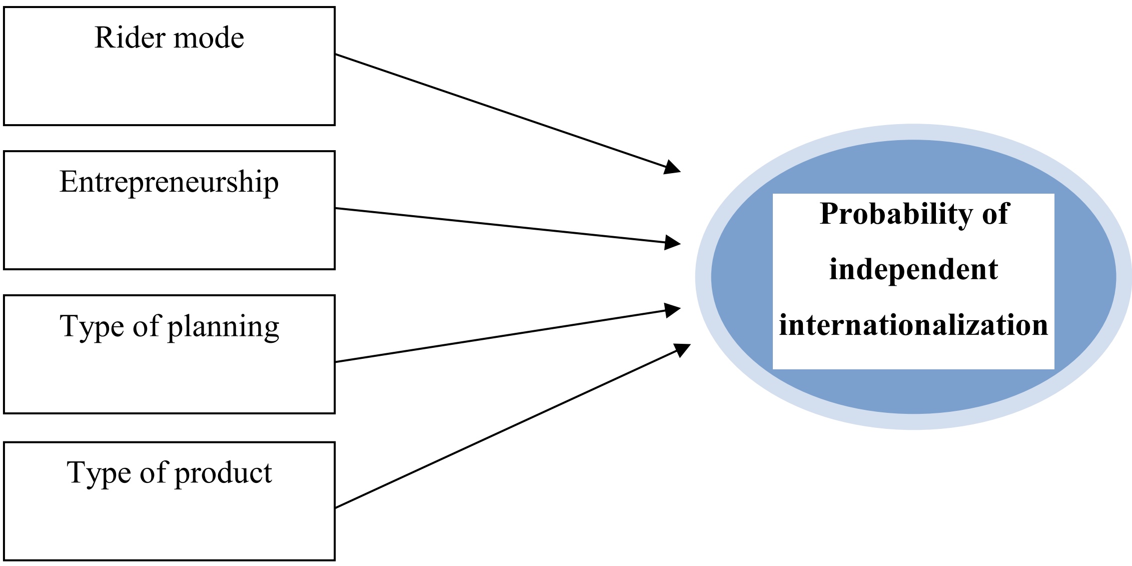

Figure 1: *Conceptual model*

3.1 Rider Mode

Following the revised Uppsala model, a firm's mere presence in a network will increase its exposure to market opportunities. We believe that higher resource commitment and direct experience in a foreign market increases the probability of network access which again lead to the discovery of market opportunities. By committing more resources in their international operations, the rider moves to a higher-risk strategy requiring more active involvement from the management. The incentives to succeed internationally will be greater as the costs of losing will increase. As riders usually are small firms lacking knowledge of markets and international operations, relevant knowledge could be accessed through the carrier and its network. According to Johanson and Vahlne (2009), the interaction between partners in the network is important, meaning that keeping a passive role is less effective. Active partners will thus be more firmly established in the network, and benefit more from arising opportunities. This is also in line with Ojala's (2009) claim that opportunity discovery is related to active firms. Johanson and Vahlne (2009) also emphasize that commitment to the network facilitates trust. Accordingly, it is reasonable to expect that active members have better developed social relationships than passive members, thereby increasing the probabilities of discovering market opportunities through their informal contacts (Ellis 2000).

Foreign experience may also enhance riders' benefits of being part of a larger network. As the rider is not only limited to its domestic headquarter, but also operates internationally, it has more contact points to the network and its members. This makes it easier for the rider to interact with other members and the rider also increases its visibility within the network. On the other hand, more direct experience with a new and foreign market also augments risks and uncertainty. In a new business environment, the rider therefore is stimulated to take a more active role.

There are reasons to believe that Foreign-established riders (FR) will have the highest probability of discovering market opportunities as they commit the most resources and at the same time have the highest degree of direct experience in the foreign market. Although both Involved (IR) and Exporting (ER) riders commit low levels of resources to international operations, we believe that the IR will have higher probability of discovering market opportunities as they have more direct experience with foreign markets. Thus:

P1: *FRs have the highest probability of discovering market opportunities, whereas IRs have a higher probability than ERs.*

According to Johanson and Vahlne (2009), knowledge exists in and needs to be accessed through the network. It is therefore reasonable to assume that firms which are firmly embedded in networks have a higher probability of accessing network knowledge than those who have a looser connection. Following P1, FRs will have easier access than other firms. We do, however, believe that the level of direct contact with a foreign market will have effect in ways that are not fully captured by the arguments used in the discussion leading to the first proposition. Knowledge related to the internationalization process is characterized by a high degree of tacitness. However, the tacit form of knowledge impedes knowledge dissemination (Lord and Ranft 2000). Following the earlier presented arguments of Eriksson et al. (1997), direct contact with foreign markets is important in overcoming the barriers of knowledge dissemination, as direct experience facilitates experiential learning. This means that tacit knowledge that is difficult to disseminate is gained through own experience. Also, firms with more direct contact with foreign markets will be more exposed to the carriers' international operations. This makes it easier for the rider to observe and learn the carriers' practices, thereby increasing the chances of gaining access to best practices. Therefore, firms with more direct experience with the foreign market will have advantages in gaining knowledge both because they (according to P1) are more embedded in the relevant networks and because they gain more knowledge than those with less direct experience. Thus:

P2: *FRs have the highest probability of gaining network knowledge, whereas IRs have a higher probability than ERs.*

As mentioned, a rider will, to a certain degree, depend on a carrier, mainly because of the carrier's importance as a key customer. This is the ground for the relational asymmetry put forward in the Management of Territory Hypothesis (MTH). From the discussions leading up to P1 and P2 it is clear that opportunities for businesses arise from the discovery of market opportunities within the network. The question, then, is how the rider should organize its operations to ensure maximum probability of discovering opportunities.

By escalating from an ER to an IR or FR mode, the rider immediately increases its knowledge and learning outcome from international operations. This should be viewed as one of the benefits a rider would receive from the relationship, in accordance with the Increased Independence Hypothesis (IIH). In addition to discover how to run international operations effectively, riders will also have direct access to the other members of the network. When making connections with these other firms, the probability of opportunity discovery increases. Opportunity can arise both through formal business initiatives and through personal connections.

The main difference between the IR and FR mode in producing this effect is the constancy of the international activity. Being present in an international location (FR) may lead to constant learning of international operations. The rider also has the possibility to capitalize on opportunities that may arise in that location. By contrast, IRs are more dependent on the carrier. They are therefore susceptible to the carrier's opportunistic behaviour. The carrier could possibly attempt to limit the interaction with other network members in fear of dissemination of crucial knowledge and thereby loss of competitive advantage. It is on the basis of these reflections we propose that:

P3: *FRs have a lesser probability of experiencing lock-in, whereas IRs have a lesser probability than ERs.*

3.2 Entrepreneurship

Entrepreneurial attitude affect the rider in a piggybacking relationship both directly and indirectly. Directly, through the vision and drive to move up through the rider mode hierarchy and indirectly, through the notion of seizing opportunities that materialize in the daily running of the company. According to Palich and Bagby (1995), it will positively affect the independent internationalization that entrepreneurs are more optimistic in their assessments of business opportunities, and that they are willing to take more risks, as they emphasize opportunities rather than threats. Chell (2007) claims that opportunity recognition is an important entrepreneurial attribute and entrepreneurial individuals are creating value for organizations due to the thrift for recognizing opportunities. Chell's (2007) statement fit well with Becherer's (1999) argument; that entrepreneurs scan for opportunities and show initiative. Entrepreneurs are also competent networkers and skilled to exploit opportunities that arise through the occasional contact with other network members (Birley 1985). We believe that the abovementioned attitudes would be advantageous for the rider in their process of independent internationalization.

P4: *High entrepreneurial attitude increases the probability of independent internationalization for all piggybacking modes.*

3.3 Type of planning

According to Crick et al. (2005) and Johanson and Vahlne (2009), internationalization and entrepreneurial processes take place under genuine uncertainty and are seldom caused by planned strategies. Johanson and Vahlne (1977) also claim that small firms lack the knowledge and experience needed to utilize planned strategies. According to Hills and Sarin (2003), SMEs operating in high-tech industries, with high uncertainty, have challenges in developing plans and strategies due to the continuous shifts in the industry. This increases firms' rigidity in their business behaviour. If a firm becomes too rigid related to established strategies (locked-in), it has difficulties to adapt to rapid changes in the industry and to discover new opportunities. Firms will also need substantial market relevant information to carry out plans. Yet, lack of information is a recurring problem and often a reason for why a rider involves in a piggybacking relationship. When the rider gains international experience they acquire knowledge about foreign markets, and their planning will prove more successful. Still, too much rigidity decreases the firm's ability to discover occurring market opportunities. As Solberg et al. (2003) point out; firms in global industries lacking internationalization knowledge will have difficulties in successfully utilizing planned strategies.

P5: *A high level of rigidity in a rider's business planning reduces the probability of independent internationalization.*

3.4 Type of product

As discussed above, the type of product – high-tech or generic - is assumed to affect a rider's potential to independent internationalization. A rider that produces a high-tech, specialized product will have a better starting point than other firms, ceteris paribus. They will more easily be associated with expertise and experience, traits that are important for potential customers in reducing risks and uncertainties. Obviously, firms producing niche products will also have fewer direct competitors providing similar products. Hence, they will be more attractive because of lack of alternatives.

P6: *Riders producing specialized niche products have a higher probability of independent internationalization relative to riders producing generic products.*

4. Method

We conducted a multiple-case study with an emphasis on in-depth interviews. The method being qualitative in nature opens up for the general criticism regarding lack of objectivity in the analysis of data and lack of structure in research design and procedure. To overcome potential criticism, we give a thorough description of the research process.

4.1 Research question and propositions

The research question is the foundation of the study as a whole and is decisive in the choice of method. Our research question: *Under which circumstances do piggybacking increase the probability of a rider evolving into an independent international actor* is explorative in nature and is based on the review of the literature on piggybacking. As the concept of piggybacking in the business literature is quite recent and research on the phenomenon is scarce, we choose an open research question. To narrow the scope of the study, we developed six propositions based on a thorough literature review. Criticism might be raised that concrete propositions may limit the explorative purpose of the research question and be more suitable for descriptive research. Yin (2003) points out propositions are not necessarily needed when dealing with cases of an explorative nature. However, even if the propositions suggest a specific direction, they are developed in such a way that they open up for a discussion and are thus suitable for exploratory research. Propositions also help to structure the analysis.

4.2 Unit of analysis

We selected SMEs involved as riders in piggybacking relationships as business cases. As this research paper is part of a larger research project investigating firms in the subsea cluster in the Bergen region, we selected firms localized in this cluster. This brings both positive and negative effects. The firms belong to the same industry and this fact facilitates comparison (common industry traits across business cases). However, our research question is not industry specific. In one way the findings are more applicable, as they can be linked to industry, but it is difficult to say something about the findings' application to other industries.

To be able to answer the propositions, we needed cases that consisted of riders belonging to each of the three rider modes. This was achieved. However, we found that no firm depended solely on piggybacking in their international activity, a point that is contrary to what theory assumes. This disparity between theory and reality puts constrains on the analysis, as we could not separate the effects of piggybacking from other international activities. For example, the increase in knowledge we expect to find related to the first proposition may be a result of other international activities than piggybacking. This is an aspect we need to take into consideration when we analyse the findings.

When conducting a multiple-case study and analysis it is important to consider the number of cases included. Yin (2003) argues that every case should serve a specific purpose and that there is no exact formula for choosing the correct number. We selected two or more cases pertaining to each of the rider modes. We initially wanted three cases for each rider mode, but were not able to find three cases fitting the IR mode. Therefore, we have three cases for the ER and FR mode and two cases belonging to the IR mode.

All business cases are treated anonymously. This is not optimal, and Yin (2003) suggests that the most desirable option is to disclose the cases. He gives two reasons for this. First, the reader can recall previous information about the cases and second, the cases can be reviewed more easily. Half of the cases we studied wanted to be anonymous and we therefore choose to treat all cases anonymously. We labelled the business cases: Firm A, Firm B etc. Firm A to C belong to the ER mode, Firm D and E are IRs while Firm F to H are firms belonging to the FR mode.

Selecting optimal cases is rarely possible and we here describe some weaknesses related to the cases. We have already touched upon the fact that no firms are sole piggybacking firms. There is also a disparity between the firms regarding how long they have served the international market and how long they have been riders in a piggybacking relationship. Since the propositions require comparison of the cases and differences in the length of time firms have been riders, this disparity naturally constrain comparison. The potential differences that may be found in the ability to discover market opportunities may not only be related to rider modes and the length of time being a rider. Another potential problem relates to firms moving between rider modes, a problem which is relevant for the IRs and, specifically FRs. For instance, FRs were prior to their foreign establishment ERs or IRs. In the analysis, we wanted to examine the separate effects of each rider mode, but needed to take into consideration that the effects may also be a result of the riders' previous rider modes.

These problems we have listed here are a result of compromises because selecting optimal cases were not available. However, it is also a recognition that literature and reality does not match completely. Therefore, the nature of the business cases can be seen as an advantage and have contributed to align theory to reality.

4.3 Data Collection

Instrument – in-depth interviews

According to Burgess (1982, in Easterby-Smith et al. 2008) in-depth interviews give us the opportunity to probe deeply to discover new clues and ideas, open up new aspects of a problem and to secure vivid, accurate and inclusive accounts that are based on personal experience. Thus, in-depth interviews are useful when your aim is to get a deeper understanding and fits well with the exploratory research question. The main emphasis in our case analysis is in-depth interviews. However, we have also relied on secondary information from internet home pages and informational brochures of the different firms. This has served different purposes. First, it has helped us to enhance our knowledge about the firm prior to the interview. Second, secondary information can be used to verify some of the information we received during interviews.

Interview guide

We developed a semi-structured interview guide that opens up for both conversation and structure. A semi-structured interview guide fits well with Jones (1985, in Easterby-Smith et al. 2008) who argues that many researchers start making early assumptions prior to the study, however many of these assumptions and early understandings do often change under the process of the research due to new and interesting topics appearing. A semi-structured interview guide will give us an opportunity to modify the question during the data collection, and assess which questions need to be explored further.

The structure of the interview guide follows the propositions. The first part of the guide is meant to establish which rider mode the firm belongs to, whereas the six following parts are meant to explore each of the propositions respectively. As such, it is easier for us to obtain the necessary information on each part before we consider it appropriate to continue to the next. The aim of the interview is to increase our understanding of the piggybacking concept and

how it may lead to independent internationalization. That means that it is necessary to explore and encourage the informants to give detailed descriptions and answers to the propositions.
More, we employed a technique called laddering (Easterby-Smith et al. 2008). Here, we follow up on the informants' answers by asking them to reveal more, simply by asking *why-type* of questions. Using our interview guide, the informant may initially not describe all he knows about how his products are sold to the international markets. Then, we may follow up with *could you give an example of how the products are sold?* Or *why do you sell to these markets?*
The interviews lasted from 1,5 to 2 hours and were recorded and transcribed.

4.4 Analysis and relevant concepts

In the analysis we focus on whether the data fits the predetermined propositions. The selected method of analysis is pattern matching. According to Yin (2003) pattern matching compares an empirically based pattern with a predicted one. In our case, the propositions are the expected pattern while the data are the observed patterns. The job, then, is to assess whether they match or not. We have identified seven concepts that are critical in the measurements and comparison of cases, and which need to be further defined. These are rider modes, market opportunities, network knowledge, lock-in, entrepreneurship, rigidity in business planning and high-tech products. The first concept, rider mode, will establish which type of rider the firm belongs to while the six latter are linked to each of the six propositions.

1. Rider Mode
    a. Does the firm export indirectly?
    b. Is the firm established abroad?
    c. Does the firm have foreign experience?
    d. Does the firm have a close relationship to their carrier?
2. Market opportunities
    a. Has the relationship with carrier lead to market opportunities?
    b. What type of opportunities?
    c. Has the relationship with carrier extended the international network?
    d. Is the firm actively seeking opportunities in the network?
3. Network knowledge
    a. Has the relationship with carrier lead to network knowledge?
    b. What type of knowledge is accessed?
    c. Is knowledge accessed through own experience or carrier`s network?

4. Lock-in
    a. Does the firm perform international activities independently from carrier?
    b. Does the relationship constrain independent activities?
    c. Does the relationship contribute to independent activities?
    d. Has the rider invested high amount of time and resources in the relationship to the carrier?
5. Entrepreneurship
    a. Degree of international ambitions?
    b. Degree of risk aversion?
    c. Degree of active involvement in network?
    d. Degree of active opportunity seeking?
6. Rigidity in business planning
    a. Does the firm carefully plan international activity?
    b. Are the international activities a result of detailed planning?
    c. How is the ability to adapt to market changes?
    d. How is the ability to develop international business plans?
7. High-tech product
    a. Is the firm considered experts in their field?
    b. Does the firm deliver customized products?
    c. Does the product development require specific knowledge?

5. Business case presentation

Below, we present a brief description of each of the eight cases, the industry and the cluster.

5.1 NCE Subsea

The NCE Subsea cluster is located in the Bergen region. The cluster has approximately 130 members and partners (companies, Research institutions and other diverse organizations), and is world leading in products and services related to operation, maintenance, monitoring and upgrading of subsea installations (Econ-note 2009). The cluster has been growing rapidly, and as the oil and gas fields in the North Sea have become more and more developed, subsea firms increasingly turn to emerging international markets.

The cluster is centred among major multinational enterprises and a large number of SMEs, where a good number of these function as subcontractors for the larger companies. Quite many of SMEs have relatively large export shares. However, much of this is indirect export through larger MNEs located in the area. Typically, the larger companies are responsible for negotiating contracts and for establishing (foreign) customer relations. SMEs that function as subcontractors are to a lesser degree involved in international operations. Yet, some suppliers may be involved in installations, training and maintenance internationally (Pettersen et al. 2008). Thus, a large proportion of SMEs in the cluster can, according to our categorization of riders, be categorized as ERs or IRs. Still, SMEs in the cluster have followed different paths with regard to internationalization and some firms have climbed more steps on the internationalization ladder than others. With a lot of subsea activity being centred in Houston (GOM) and Brazil, some firms have established subsidiaries in these markets, often as a consequence of following a customer abroad. These firms have evolved to the third category of rider modes, becoming FRs.

5.2 The business cases

Firm A

Founded in the beginning of 1990, Firm A is a mechanical machining workshop delivering both standardized and custom designed components to the subsea and offshore sector. The firm is located in Bergen and has no subsidiaries in other countries. International sales are mostly indirect export through domestically located wholesalers within hydraulic components, with a few exceptions of occasional direct export to international customers. Firm A does not focus heavily on international marketing, and both their resource commitment and foreign experience is low. Firm A is categorized as an ER.

Firm B

Firm B manufacture products for the oil and gas industry, specializing in customized products of high quality. They were founded in late 1980ties and located in Bergen with no international subsidiaries. Similar to Firm A, international sales are mainly achieved through indirect export, with occasional orders directly from international customers. In contrast to Firm A, Firm B has foreign distributors in the US and Canada. Firm B focuses only on production and sales, and does not go abroad for specific transactions. Similar to Firm A, the international marketing budget is low. Thus, both resource commitment and foreign experience is low. Firm B is categorized as an ER.

Firm C

Firm C is located in Bergen and founded in 2004. They supply diverse products to the oil and gas industry, shipyards and land-based industry. The firm mainly exports indirectly to foreign customers from their HQ in Norway and through their agents in addition to cooperating with larger oil companies in international oil projects. They have a sales subsidiary in Latin America, but this subsidiary is less than a year old and functions more as a pilot project, thus no significant strategic role at this moment. Hence, firm C is categorized as an ER because of low international resource commitment and low degree of experience in the foreign markets.

Firm D

Firm D supplies a full range of services to the offshore energy industry ensuring safe and efficient management and execution of operations. Their HQ is located in Bergen, and they deliver project management to both Norwegian and foreign operators. Firm D provides technology knowledge and consultancy services, and the carrier invites the firm to export markets for specific transactions. Firm D has no branches or subsidiaries in the foreign markets. Thus, Firm D categorized as an IR.

Firm E

Firm E develops products related to the monitoring of subsea equipment. The firm, founded in late 1990ties is located in Bergen with no additional subsidiaries. Similar to the ERs, Firm E sells internationally via system suppliers. Since their products require installation and maintenance, Firm E is somewhat involved in international operations which ERs lack, resulting in a higher level of foreign experience than ERs. Thus, resource commitment is considered low whereas foreign experience is medium. Firm E is categorized as an IR.

Firm F

Firm F is operating primarily in the offshore industry, and serves customers with seismic and subsea related products and services. The products are generally sold directly to oil companies in the industry. The firm was founded in the 1970ties, and the HQ is located in Bergen. The company has branches/subsidiaries in other parts of Norway, Aberdeen and in Houston. The different branches give them the opportunity to stay close to their markets and customers which is important for service and maintenance of their products. Firm F is a good example of a rider that follows the carrier into their foreign market by establishing their own subsidiary close to the carrier. The degree of experience in the foreign market and the resource commitment are also higher than both ERs and IRs. Thus, Firm F is categorized as an FR.

Firm G

Firm G is a spin-off from an international oil company and was founded in 2005. The firm has branches in Oslo, Stavanger and Houston. They are producing electro-hydraulic control systems within the oil and gas industry. Most of the products are sold directly to oil companies, however the firm sometimes operates as a subcontractor to oil and gas contractors. Firm G is similar to Firm F, as they also have followed an important customer abroad (Houston). Therefore, Firm G has a higher degree of experience in the foreign market and has committed more resource compared to both ERs and IRs. Thus, Firm G is categorized as an FR.

Firm H

Firm H presents a challenge in the categorization of firms. Founded in late 1970ties, Firm H delivers a wide range of products including engineering, surveillance and subsea lifting and handling products. The firm sells internationally through different channels. A major part of sales is indirect export where they function as subcontractors. They do, however, also export directly to international customers via agents in different parts of the world, with an emphasis in Asia. Firm H has also established offices in Aberdeen and Houston. From a piggybacking perspective, Firm H is an IR. It sells internationally through oil and gas contractors and follows them abroad for specific transactions with regard to installation and maintenance. The choice of establishing subsidiaries in Aberdeen and Houston was a strategic choice founded basically on market prospects. Yet, we may assume that their piggybacking experience with major customers have influenced their willingness to commit in their foreign establishment.
Both resource commitment and foreign experience is high. Firm H is categorized as an FR.

6. Analysis

6.1 Introduction

In this chapter we analyse the business case. Each proposition will be dealt with separately and presented with a conclusion. The main findings are summarized in Table 2 at the end of the chapter. Chapter seven will give a summarized conclusion. Below, we repeat the description of the different rider modes:

1. Exporting Rider (ER)

A domestically established rider sells internationally by selling through a carrier. The carrier moves the products to the international market either by resale or by bringing the products to the carrier's foreign subsidiary. The rider exports indirectly and gains no foreign experience.

2. Involved Rider (IR)

The involved rider resembles the exporting rider as their international sale is based on indirect export through a carrier. However, the carrier invites the rider into the export markets for specific transaction. Reasons may be training of personnel or product installations.

3. Foreign-established Rider (FR)

The rider follows the carrier into their foreign market by establishing their own subsidiary close to the carrier. The rider is invited to co-establish with the carrier for reason of cooperation.

6.2 Rider modes and discovery of market opportunities

P1: FRs have the highest probability of discovering market opportunities, whereas IRs have a higher probability than ERs.

We will in the analysis of proposition one first look at the three different rider modes separately before we compare them and conclude.

Exporting Riders

With regard to the three ERs, we find that they differ somewhat in their experiences of discovering market opportunities. Firm A seems to have benefited the least from their role as an exporting rider. Their perception is that they are too far down the chain to gain much positive effects. Firm C, on the other hand, are more optimistic, claiming that indirect export yield positive effects with regard to reference value and new customers. We find that, even though the perceptions vary, certain similarities can be found across the ERs. The market opportunities can be placed in two categories; reference value and opportunities arising in the direct relationship between the rider and the carrier, with the size of the carrier having a moderating effect.

Reference value is emphasized by both Firm B and C. By selling internationally through a carrier, the rider proves that it has the qualifications and capabilities of serving customers in international market. Equally important is the value of referring to previous international projects when the firm attempts to sell its products to other international customers. However, for these effects to occur, it requires that the firm's contribution to the final international sale/contract is visible. According to Firm A, the role they are playing in the final delivery is too small to have any effect; the sale does not result in any reference value. An important aspect is the size and reputation of the carrier. Being a rider to a major player is a great market advantage. First, there is heavy competition among all suppliers to deliver to the largest companies. Winning a contract is a quality assurance, an element which is particularly important in the subsea industry. All three firms emphasize the value of serving an important market player, but only Firm B and C believe it has produced greater interest from other potential customers. Second, referring to these projects in marketing purposes is more powerful. However, the problem experienced by Firm A is then more relevant. Larger companies often have large-scale projects, and the rider may find itself in a position where their contribution is not sufficiently significant.

We argued initially that opportunities typically would arise through the carrier's network members. However, the firms suggest that opportunities are directly linked to the carrier. In their start-up years, Firm A was close to establish a foreign subsidiary in Brazil together with their carrier. The carrier planned to expand their business, and being satisfied with Firm A's delivery, they wanted it to co-locate and cooperate in the foreign market. For strategic reasons, this opportunity was not pursued. Firm C also emphasizes the relationship with the carrier as the most important. Firm C has been introduced by their carrier to potential international customers in e.g. the Asian market, and can be labelled a successful rider-carrier relationship.

We theoretically assumed that riders will adopt in sequence the three rider modes. An interesting finding from Firm B shows a different strategy. The firm emphasizes the reference value of indirect export, but even more, the importance of indirect export as a method of market testing. Indirect export has given them assurance that their products have a market potential, but instead of pursuing a more independent international strategy, they have entered into distributional agreements overseas. The reason for this is lack of required resources. However, the overall vision is to eventually become more independent. This finding shows that market opportunities linked to internationalization does not necessarily mean a more independent strategy.

Involved Riders

The two IRs' experiences with regard to discovering market opportunities differ significantly. While Firm D certainly has benefited from foreign experience, Firm E's market opportunity discovery resembles that of the ERs. We believe that the main reason for the difference is the firms' degree of end customer interaction. Firm D has a larger service component as part of their product package, amongst them consultancy services. This means that the carrier more frequently presents the firm to the international end customer. According to Firm D's manager, this has been of great significance in the development of their international business. Like the ERs, they have benefited from reference value, but moreover, they have developed personal relations with the end customer. Through personal relations, they have been introduced to other potential international customers and they have been invited to establish abroad together with the customer. After having delivered a project and being introduced to the international customer, Firm D was invited to co-establish in the Middle East. The personal relations have given Firm D the opportunity of direct international sale and foreign establishment.

The situation is quite different with Firm E. Foreign experience is related to maintenance and support of their products and they have limited interaction with the international end customer. They emphasize the reference value of indirect export, but report less benefits of their international travels. Opportunities are reported to arise in the relationship to the carrier. Firm E also pinpoints the carrier's size and importance. They set the standard and thus, the reference value of delivering via them is high. Firm E does not seem to be more exposed to market opportunities, even with a higher level of foreign experience.

Foreign-established Riders

All three FRs have subsidiaries established in Houston, the international centre of the oil and gas industry. The evidence clearly suggests a higher degree of opportunity discovery than the other rider modes, with the exception of Firm H that did not follow a customer abroad. Firm F and G report of direct sales from the Houston subsidiaries as a direct consequence of establishing close to their carrier. By entering new territory as a part of a network, they are given immediate access to the market. Firm G emphasizes that they get in contact with local business actors through the carrier's network and that these new contacts leads to sales. Firm F also stresses the importance of being closer to potential customers. This has made it easier for them to engage in product development with potential customers that ultimately leads to sales.

Equally important is the tightening of the relationship with the carrier. By co-establishing in a new market, the rider assures commitment towards the carrier. This rider move can increase the probability of the carrier inviting the rider to co-establish in other regions as well. Firm F reports of such an experience. By the time of the interview, Firm F assessed the probability of establishing in Brazil and Singapore together with their initial carrier. This underscores the finding that opportunities arise in the direct relationship between the rider and carrier. Even though the firm is connected to a wider network through the carrier, the rider-carrier relationship can also strengthen.

Firm H's experience contrasts the above outline. It entered the foreign market without a carrier and could not report the same discovery of opportunities. The apparent reason for this is the lack of network in the foreign market. In contrast to Firm F and G, Firm H had to start on scratch to build up both awareness and network, a job that is highly resource and time consuming. Firm H therefore had to struggle over years to overcome the barriers of market entry.

6.2.1 Conclusion - rider modes and discovery of market opportunities

Our findings clearly suggest that FRs have a higher probability of discovering market opportunities than ERs and IRs. By establishing themselves abroad together with their carrier, they are more directly connected to the carrier's network in the foreign market, and market entry barriers are in consequence reduced. .Also, by co-establishing abroad with the carrier, the rider proves its capabilities, which can lead to piggybacking also in other international markets. Most opportunities seem to be discovered as a result of factors only relevant for FRs. With regard to the difference between the ERs and IRs, it is not as prominent as with FRs. The two latter rider modes emphasize the reference value and the value of establishing a good relationship with a significant carrier. The great difference is found between ERs and IRs and relates to the high interaction with the international end customer. Our findings suggest that IRs lacking the interaction dimension in their foreign activity do not have a higher probability of discovering market opportunities than ERs. Thus, our findings mainly support the initial proposition, however, the difference between ERs and IRs must be further explored.

6.3 Rider modes and network knowledge

P2: *FRs have the highest probability of gaining network knowledge, whereas IRs have a higher probability than ERs.*

Exporting riders

In general, ERs score lower on network knowledge compared to the other rider modes. However, as with P1, there are differences within the ERs' ability to gain network knowledge. This relates both to the amount of knowledge they have access to and type of knowledge. Firm A again reports the lowest score, which seems natural considering their perception of being too far down the supplier chain. Firm C, on the other hand is more optimistic and claims it gains knowledge relevant for future internationalization. Our analysis suggests that the main reason for the difference is the degree of closeness in the relationship between rider and carrier.

In that context it is useful to compare Firm A and C. Firm A does not have a close relationship to their carrier and does not report high scores on knowledge. Firm C on the other hand, has more interaction with their partner. Their manager is more proactive and preoccupied with being updated on market changes. As a consequence, he is in regular contact with his carrier and receives relevant information. Because of good personal relationship, he could also report of a carrier who gives him market information spontaneously. Firm C emphasizes that the personal relationship is the most important factor that bring forth valuable knowledge from the carrier. Firm A recognise that they lack a good personal relationship with the carrier. They also fail to act in a proactive way towards the carrier because of mainly insufficient resources in-house. As a consequence, firm A lacks the necessary linkage or relation for knowledge transfer.

Similar to Firm C, Firm B is frequently interacting with their carrier. However, the type of interaction differs, which affect the type of knowledge that is transferred. Firm C, interact with the carrier at the management level and the interaction includes exchange of market information. The manager of Firm C describes that he receives information regarding customers and their needs, market changes and international business practices as well as cultural learning. This is learning highly relevant for developing their international strategies. Firm B's interaction with their carrier is focused on lower levels than management. For instance, they have a collaboration practice involving exchange of personnel as well as cooperating on product development. This leads to valuable learning, but is mainly focused on product related issues. Still, Firm B claims the learning is significant, also within an international strategy and learning perspective. They receive information about international standards and product needs in the international market. In general, Firm C has personal contact with people at the management level, and has access to a broader range of international market knowledge.

Again we experience, contrary to our initial assumption that knowledge is gained in the direct relationship to the carrier. All ERs report that knowledge is gained mainly from the carrier and not from the carrier's network. It is therefore equally important for riders to develop and maintain the relationship with the carrier – while simultaneously exploiting the advantages related to the carrier's network.

Involved Riders

As discussed in P1, the two IRs involvements in international activity differ greatly which also influence their probability of gaining network knowledge. Firm D is more proactive and offers consultancy services. The nature of their delivery (services) enables them to get more integrated in the foreign business network compared to firms that only carry out product maintenance work, which is the case for Firm E. This means that the carrier and the customers work closer with Firm D compared to Firm E, and firm D gains more market knowledge through the network. According to Firm D's manager, they emphasize learning and encourage assessments of learning and strive to share knowledge inside the organization. As mentioned, personal relationships are critical for the knowledge transfer process which again may lead to the creation of marketing opportunities. Firm D claims that it tries to acquire knowledge about cultural issues in the communication with customers, which again increases its' ability to learn in the foreign market. Thus, personal relations and face-to-face relationships are important factors in the knowledge acquisition process.

As seen in P1, the situation for Firm E is not the same due to lower involvement with their carrier and customers. Their learning process is mostly focused towards R&D, and the contact with the market happens through product maintenance. Firm E's attitude is not as proactive as Firm D's; therefore Firm E has lower access to network knowledge. Even with their higher level of foreign experience compared to ERs, we do not find that Firm D gains more knowledge through the network.

Foreign-established Riders

All FRs have subsidiaries established in Houston. However, not all of them have the same probability of gaining knowledge through the network. Firm F and Firm G have the advantage of entering a new network when they started their operations in Houston, giving them the opportunity to acquire new market information and product knowledge. Firm F's manager states that this information was very valuable for the firm, and helped them to work closer with their customers. They also created a forum where they could discuss directly with their customers and their customers gave concrete feedback about their ideas and products. Both firms also reported that they acquired information about market trends and customer needs. According to Firm F, they also got the chance to cooperate and develop products together with the customers in addition to obtaining an efficient and flexible distribution system towards the customers. Firm G also mentions that they engaged in product development and product customization together with their carrier through the network in Houston. The manager of Firm G emphasizes that being located in Houston gave them the opportunity to enhance their understanding of the socio-cultural business environment which facilitated socializing with customers. Firm G possesses the same resources as Firm F, but firm G also reported that they gained knowledge of market needs and international trade laws. They felt they have developed a better understanding of the foreign market and it is now easier for them to predict and understand the market. All these factors facilitated the acquisition of valuable knowledge through the network.

Firm H has experienced a different process because they entered the foreign market without a carrier. The firm therefore lacks a network through which it can acquire knowledge. Compared to Firm F and Firm G, Firm H has acquired valuable experience and knowledge about the US business environment through the process of trial and error. Nevertheless, Firm H does not have the same access to knowledge through networks, as was the case for Firm F and Firm G.

6.3.1 Conclusion – rider modes and network knowledge

Our findings clearly suggest that FRs have a higher probability of gaining network knowledge compared to IRs and ERs. It is advantageous for riders to establish abroad in connection with the carrier's network and to be in regular contact with this network. FRs are well integrated in the network and gains knowledge through it. Firm H lacks a network, but gets valuable knowledge through trial and error. It is, however, questionable whether the knowledge acquired in the foreign market is transferred back to the HQ, as the subsidiary is headed by a local American (and not a Norwegian expatriate). The difference between ERs and IRs is similar to that found in P1. Interaction with the carrier and type of international experience is important. Firm D, who has high interaction, is considered to gain more knowledge, but the difference between Firm E and the ERs with high degree of carrier interaction is unclear. Our findings therefore mainly support the initial proposition, and the difference between ERs and IRs must be further explored.

6.4 Rider modes and lock-in

P3: *FRs have a lesser probability of experiencing lock-in, whereas IRs have a lesser probability than ERs.*

In this section, we distinguish the rider modes with regard to foreign establishment, and there is an overlap in the analysis between the ERs and IRs before we focus on the FRs.

Exporting Riders and Involved Riders

Contrary to our initial assumption, neither the ERs nor IRs seem to be in a lock-in relationship with their carrier. Both rider modes, the ERs in particular, do not have as close relationships to their carriers as FRs. One reason for this is lower emphasis on internationalization. Firm A states clearly that the main priority is the home market and that international sales are secondary. Resources are concentrated on domestic sales and they lack incentives to build a strong relationship to the carrier. Another reason is simply that the rider has not found a suitable carrier to co-establish with abroad. This is emphasized both by Firm A and C. While Firm A states the importance of being connected to a substantial market player, Firm C puts it differently by criticizing Norwegian companies' lack of willingness to include smaller companies in international operations.

The main argument is connected to our findings in proposition one. We found that opportunity discovery is directly linked to the carrier. When following a customer abroad, the relationship between the two partners is strengthened, and the rider's dependence on the carrier increases. However, when the relation to the carrier is only based on indirect export, the dependence is not as strong. Firm D exemplifies the increased dependence that foreign establishment will have on the relationship with the carrier. They have been invited to establish in the Middle East with a partner, an area they consider as having high potential. An establishment in this region will require high resource investment and commitment, and entering together with a more powerful partner will increase the dependence of Firm D on the carrier.

Foreign-established Riders

The main difference between the FRs and the other riders' modes is the stronger relationship with their carrier. Still, not all of them have the same probability of getting locked-in with their carrier. Both, Firm F and Firm G have reported that they felt the carriers were demanding and controlling when they established their subsidiary in Houston. Firm F believed they did so because they wanted to minimize the risks of the operation and developed guidelines that would benefit both parties. Another reason is that the FRs are economically locked-in to their foreign investment. Firm G explains that they have invested financial and other resources in the foreign subsidiary. He also felt that the relationship with the carrier was based on trust, and trust is important to maintain a healthy relationship.

According to Firm F and Firm G, they also have an opportunity to cooperate and develop products together with the carrier and other customers. However, this cooperation has both advantages and disadvantages. The riders get access to new resources and knowledge, and they can share ideas with the other firms they are cooperating with. But, some of the products are designed to fit the carrier's needs and requirements, which mean that the products are primarily intended for this specific customer. The manager of Firm G reports that they always try to standardize the products. Nevertheless, in some cases this may not be possible. The above findings indicate that the more a rider invest in the foreign market, the rider-carrier relationship and the carrier's network, the higher the probability of getting locked-in to the particular relationship. We have chosen not to involve Firm H in the analysis of rider lock-in. The reason for this is that their establishment in Houston is not based on following a carrier abroad. Firm H established in Houston with no prior network and thus, they are not relevant in this discussion.

6.4.1 Conclusion – rider modes and lock-in

Our analysis reveal opposite findings of what we initially expected. Firms who deliver mainly from their home market have not yet established a strong relationship to their carrier. The reasons for this may differ from lack of international ambitions to not having found the right carrier to bring them abroad. However, when established abroad with a carrier, the relationship between the two strengthens. When the international commitment increases, the asymmetric relationship will also increase. The rider will be introduced to a foreign market where it has no prior experience, and there it will depend more on the carrier than in the home market. Thus, we do not find support for our initial proposition, rather our findings indicate the opposite; higher foreign experience increases probability of lock-in.

It is appropriate to point to some discrepancies in theory and our findings. First, the theory of piggybacking assumes a more formalized relationship between the actors, with the rider having no other alternative network for international sales. Research has assumed that piggybacking is the sole option for going international. This is not consistent with our cases. No firms rely singularly on piggybacking; they also use other modes to sell internationally. In a research perspective, it is useful to examine piggybacking separated from other modes, however, that may reduce its practical utility. Secondly, the literature has not incorporated industry differences. The subsea industry is highly professional (high-tech) and quality control and assurance is of highest importance. Product quality has precedence, and since the business milieu is transparent (relatively small), managers typically rely on word-of-mouth marketing. This means that if a rider delivers a high quality product, this information will be spread. Because high quality product has the highest priority, a rider will have a high probability of getting connected to other potential customers. Highly professional industries are therefore, relative to other industries, less likely to experience issues of lock-in.

6.5 Rider modes, entrepreneurship and independent internationalization

P4: High entrepreneurial attitude increases the probability of independent internationalization for all piggybacking modes. **Exporting Riders**

Firm B and Firm C have some similar characteristics. Both report that they have international ambitions and we categorize them as proactive and optimistic firms. We do have limited information regarding the degree of risk-taking, but we consider Firm B to score moderately on entrepreneurship. Firm B have found alternative routes to internationalization other than selling through their carrier. These routes result from following up on the information from international markets, in where their products were attractive. However, because of the ERs recurrent challenge of lack of resources, they are not able to independently follow up in these international markets and have therefore chosen distributional agreements. Thus, Firm B shows that riders pertaining to the ER mode can find other routes to internationalization than following their carrier.

The manager in Firm C reported that he has a continuous dialogue with the major end customers in the industry in order to investigate potential business opportunities. The manager in Firm C also has a good network, which he proactively uses. Overall, it is clear that the manager has a strong entrepreneurial attitude. Firm C's carrier is a major actor in the oil industry, and Firm C operates both in Asia and in the Middle East due to their proactive behaviour. The opportunity the firm got in the Middle East was an example of an independent internationalization process that came from the firm's own network connections, while the Asian market came as a result of working proactively towards their carrier. Our observations, in this specific case, indicate that entrepreneurial attitude increases probability of independent internationalization.

Firm A presents a contrast because it scores low on entrepreneurship. Compared to all the ERs, Firm A has the lowest international ambitions as their focus is primarily on the home market. Necessarily, and as a consequence, they are risk averse with regard to international expansion and do not scan for international opportunities. It should also be mentioned that their manager regards the opportunities to expand internationally as low and thus has a negative attitude towards internationalization. It is obvious that their low ambitions have hindered Firm A to exploit opportunities to internationalize independently. Additionally, it lacks sufficient resources and capabilities. During their start-up years, Firm A was invited to co-establish in the Brazilian market, but did not choose to follow up on the invitation. The potential partner did establish and have eventually succeeded after some years of struggling. The manager acknowledging this, still means the firm took the right choice, stating that an international expansion could jeopardize the home market. Thus, we see that Firm A prioritizes the home market and does not seize opportunities that can compromise this priority.

Involved Riders

Firm D stands out as it delivers consultancy services and depends on a valuable network. The manger states that the Norwegian market is too small for Firm D's services, which means that the focus is mainly on the international market. Thus, the international ambitions are high. They have developed a network in the Middle East, and Firm D plans to create and seize business opportunities in that area within a few years. This opportunity arises from their network and can be interpreted as an independent internationalization process as they do not establish with the carrier. Furthermore, the manager states that they seek new foreign inquires, and emphasizes that it is always risky to establish with new business partners. It is especially risky with foreign partners since you know less about the partners and the foreign business environment. However, with thorough planning, you will reduce some risk. Firm D is also a firm with a high degree of entrepreneurial attitude. Still, it is difficult to state whether the entrepreneurial attitude only affects independent internationalization, because the entrepreneurial attitude also seems to affects dependent internationalization (networking directly through the carrier).

Compared to Firm D, Firm E has the same degree of entrepreneurial attitude. Their products are developed for the international market and they proactively market themselves towards the major international oil companies. They also assess and follow up on changes in the international market to be able to develop products with future international potential. Thus, Firm E's priority is the international market. Firm E is not risk averse and focuses on seizing opportunities. Initially, they were sceptic to being acquired by an international company, but now they value the buyer firm's international network. Firm E rely their international sales mainly on their carrier and has not developed independent alternatives.

Foreign-established Riders

Firm F focuses on new business opportunities both in existing and new geographical locations. The manager emphasizes that the firm's network was important in their internationalization process, and they now receive new inquires both from their subunits in the US and Norway. According to the manager they evaluate every opportunity they get, and they now consider possible establishments in Singapore and Brazil. Firm F's degree of entrepreneurial attitude is categorized as high because of their eager and optimism for new opportunities and their ability to discover and exploit them. Again, the same tendency is occurring here, a high degree of entrepreneurial attitude increases probability of internationalization, however with an emphasis on dependent internationalization through their carrier.

Firm G has successfully followed a carrier to the US. The manager states that it has been a constructive journey, however the start-up consisted of high risk and they have experienced some challenges, but it was a risk they could afford. After the establishment of the US subunit, the firm has also broadened its existing network and receive other inquiries from foreign firms. More specific, they have got an offer from a Brazilian firm they met through the carrier. Meanwhile, Firm G has expanded their business in Norway with an acquisition of a Norwegian electro firm. This opportunity occurred independently of their activity in the US. Thus, Firm G will be categorized as a firm with a high degree of entrepreneurial attitude. This case indicates that a firm could increase the probability of independent internationalization because of their entrepreneurial attitude. However, they have also experienced higher levels of internationalization through their existing cooperation with the carrier.

We consider Firm H to have a high degree of international entrepreneurship. They acknowledge the international aspect of their product stating that the domestic market is too small. Moreover, they are risk taking, as was the case with the establishment in Houston, where they lacked a market network. However, their choices often seem to be results of coincidental factors rather than pursuing opportunities, an aspect that is clearly linked to the next proposition dealing with planning. Still, Firm H has a high degree of independent internationalization, with a network of agents in Asia and the Houston subsidiary. However, Firm H differs from the others since piggybacking has not played a leading part in their internationalization.

6.5.1 Conclusion – rider modes, entrepreneurship and independent internationalization

The firms score generally high on entrepreneurship. We find that Firm A is the only firm that scores low, and the lack of international entrepreneurship has prevented further international development. This is of course only natural considering low international ambitions and their priority of the domestic market. Thus, this case indicates that low entrepreneurship prevents internationalization. However, the findings are conflicting as to whether entrepreneurship increases independent internationalization. As some of the case examples illustrates, firms that score high on entrepreneurship have chosen internationalization routes that cannot be considered independent. Both Firm F and G have a high entrepreneurial attitude, but have chosen different internationalization routes after the establishment in Houston. While Firm G plans to enter the Brazilian market independently from their carrier, Firm F has chosen to develop further internationalization together with their carrier. Having entered into the final category of piggybacking, it considers following the carrier into new markets, as Firm F investigates the possibilities of entering the Brazilian and Singapore market together with their carrier.

We believe the reason for this finding can be found in two of the variables used to characterize entrepreneurship, namely opportunity recognition and networking. The firms' ability to actively use its network and recognize opportunities are factors determining its degree of international entrepreneurship. The most relevant network for a rider to exploit will necessarily be the carrier's network. As also found in P1, opportunities often arise in the direct relationship with the carrier. Thus, the seizing of opportunities will often be connected directly to the carrier and not its corresponding network, meaning that entrepreneurship also increases probability of dependent internationalization. This finding is most prominent with regard to FRs having established a closer relationship to the carrier compared to ERs and IRs. For example, Firm B has not developed as close a relationship to their carrier and has chosen an internationalization route more independent from their carrier. As the rider and carrier are not as well connected, there is a lesser degree of opportunity discovery, consistent with our findings in P1. High international entrepreneurship may then lead the firm to find alternatives to their carrier, as with Firm B and their use of distribution agreements. This is also the case for Firm C. Being the most entrepreneurial ER, they actively seek strategies independent from their carrier.

Our initial proposition assumed a uniform or similar effect of high entrepreneurship, namely an increased possibility of independent internationalization. This seems to be only partly the case. Firms choose the optimal international strategy and do not distinguish between independent and dependent strategies. Depending on the situation, entrepreneurial firms tend to have a closer and more developed relationship with their carrier and are likely to follow a dependent internationalization route. Still this needs to be explored further and a revision of our initial proposition is called for, as our proposition puts too much emphasis on independent internationalization.

6.6 Riders, type of planning and independent internationalization

P5: *A high level of rigidity in a rider's business planning reduces the probability of independent internationalization.*

Exporting Riders and Involved Riders

We find that the riders differ with regard to business planning and planning rigidity. Of the five cases studied, only two can be considered having a well-developed international business plan, whereas the other three take a more ad hoc approach. We also find differences between the firms that focus on planning. Firm D develops three-year plans and are very committed to not deviating from these once they are implemented. Firm B develops five-year plans, but emphasizes the importance of evaluating and adapting these on a yearly basis. Firm B tries to standardize their concept and strategy as much as possible but acknowledge differences in international markets and the necessity of market adaptation, which is time consuming.

Obviously, Firm D also makes necessary adjustments to their plan, but they allocate more resources to the planning process and their philosophy is to plan as well as possible to prevent necessary adjustments. Thus, it is less willing to adjust and is more rigid in the business planning. Firm A, C and E have a more ad hoc approach in their international business. With Firm A, this is a consequence of their focus on the domestic market. Firm C has plans regarding international business, but these are more general in character, and mostly relate to choice of markets. The manager reports on market changes that require adjustment and flexibility. Firm E is primarily product-focused which comes at the expense of low international planning. Firm E admits little focus on international marketing and report that they “have planted some seeds”. Most decisions are taken ad hoc. For example, their initial position was not to sell the firm to an external business actor, but they decided nonetheless to sell because the firm had a valuable international network.

The findings suggest that it is favourable for a small firm with limited knowledge and resources to stay flexible with regard to business opportunities. Firm C points to the advantage of rapid decision-making processes when confronted to market changes. The firm would not be able to respond to changes if it could not adjust the original plan. The firm has an administrative office in a Latin American country because an employee from this country had to return home. The philosophy behind the manager’s proactive behaviour towards their carrier is to stay flexible and be able to respond to opportunities that may arise. There are similarities in the way Firm B and C approach the international market, but the starting point is different. Firm B reports that the changes in the subsea industry are not as rapid, thus it is easier to plan ahead. Still, they acknowledge the necessity to evaluate and adjust their plans on a yearly basis to cope with changes both in the industry and within the firm. Still, the firm is concerned with having a strategy they do not depart from, and as a result of their strategy and planning, they have been able to build a network of distributors independently from their carrier.

The great contrast is Firm D who has a different approach. The firm has not suddenly jumped into opportunities, but spent time evaluating the opportunities’ profitability and risk before they eventually plan how to proceed. The firm believes that you need to plan ahead as precisely as possible to sufficiently respond to changes in the industry. If you are able to predict the future and plan accordingly, you will have adequate responses to unexpected changes. This is an interesting aspect as it is the opposite of the theory we have based the proposition on. However, Firm D has some advantages compared to the other ERs and IRs related to a significantly higher degree of foreign experience. To plan efficiently, you need sufficient relevant information. Firm D has a better established network than the ERs and also Firm E, whose foreign experience is related to maintenance. They have access to sources of information through their network. An apparent consequence of foreign experience is higher knowledge of the international business context. An important argument for developing this proposition was that small firms would not benefit from rigid planning because of limited knowledge and resources. We find that for the other cases in the analysis, they need to stay flexible to be able to exploit opportunities. However, as Firm D has a wider international network to lean on and greater knowledge about the international context through foreign experience, the firm is more able to efficiently plan the international business.

Foreign-established Riders

All FRs have a low degree of international planning, and we recognize that it can be considered unfortunate as we are presented with a single perspective. However, the cases give valuable insights into how serendipitous opportunities can lead to further internationalization. Firm G reports of an organizational mind-set of developing business through trial and error. For both Firm F and G, their establishment in Houston came as a result of the carrier presenting them with an opportunity they had to accept or decline rather than a thorough and careful planned decision. The carrier wanted them to establish for reasons of aftermarket sales and support, and the establishment was seen as a necessity. Firm H is a different story, mainly because it has not followed a carrier abroad. The establishment in Houston did not come as a result of careful planning but rather as a realization that the American market was attractive. Firm H is honest about the lack of international planning, but also emphasizes the advantages it has had for the business. The manager reports on being able to better cope with changing environments as the decision making process is quicker and the firm more flexible to adapt. Firm H has developed a network of agents, with emphasis on Asia, a network which is independent from the domestic carrier.

All the three FRs consistently rely little on international planning. The question is then whether such behaviour leads to independent internationalization. As mentioned earlier, opportunities often arise in the direct relationship to the carrier. The argument against planning is the increased ability to seize arising opportunities. Thus, a rider in a piggybacking relationship with an ad hoc approach to international business will often end up internationalizing through their carrier. This is exemplified through Firm F and G. However, Firm H is not bound to the carrier in the same extent as Firm F and G and has been able develop independent strategies for internationalization.

6.6.1 Conclusion – riders, type of planning and independent internationalization

For firms with limited experience on the international arena, such as the ERs, it is difficult to rigidly follow an international plan. An advantage small firms have is few decision makers and a short decision-making process. It is therefore easier to stay flexible and change rapidly. We find these characteristics in the ER firms, with emphasis on Firm B and C. Firm D is able to plan efficiently because it has the necessary experience and knowledge of the international market combined with a well-developed network that provides the necessary information.

As with entrepreneurship, less rigid planning will not necessarily lead to increased independent internationalization. As the firms move from ERs towards becoming FRs, they strengthen their relationship to their carrier. As opportunities often arise directly to the carrier, Firm F and G have further strengthened their relationship to their carrier by following them abroad. This is the opposite of independent internationalization and is a result of seizing unplanned opportunities. The findings support the argument that less rigidity in business planning increases the probability of internationalization. Yet, there is a tendency that as the relationship between the carrier and rider strengthens, there is an increase in the probability of dependent internationalization.

6.7 Riders, type of product and independent internationalization

P6: *Riders producing specialized niche products have a higher probability of independent internationalization relative to riders producing generic products.*

Unfortunately, we have insufficient information to answer this proposition. The main reason for this is the characteristics of the industry and the lack of variation in our cases. We will in the following paragraph give a more thorough explanation.

All our cases are firms delivering products or services to the subsea industry, with a major component of the total sales to the North Sea. The subsea industry is very complex and requires high quality products. Subsea refers to products and equipment used underwater, products that are meant to be permanently installed on the seabed and be exposed to rough conditions. Also, higher focus on environmental issues puts strict requirements on the products. The standards and quality requirements vary to a certain degree from market to market, but the North Sea is among the markets with the strictest standards. Suppliers delivering to the North Sea therefore must deliver according to high quality standards. These are the main reason for the lack of variation in our cases. The industry characteristics and the market being the North Sea omit suppliers delivering lower quality products. As the manager of Firm B explains, the focus of the major oil companies is primarily whether the products meet the standards, not the cost.

All the firms we have studied produce high-tech products. The exception is Firm D who delivers consultancy services. However, as the theory mainly emphasizes products, it is not relevant to classify consultancy services as high-tech or generic products. Because we do not have sufficient variation in our cases, we are not able to analyse this last proposition. Nor is it relevant for the industry cluster as the suppliers mainly deliver high quality products that meet industry standards. Still, we assume that differences in type of product may have an effect on the probability of independent internationalization. In table 2 below, we present a summary of the findings.

Table 2: *Summary of findings*

	Observations	**Main Findings**	**Conclusion**
P1	ER: They have a lower probability of discovering market opportunities compared to FRs because of a less developed rider-carrier relationship. ERs in general emphasize reference value and further business with their carrier as important advantages. The size of the carrier is an important moderator. IR: Degree and type of end customer interaction increase the probability of discovering opportunities. Riders with a low degree of end customer interaction resemble the ERs. FR: Our studies show a high degree of opportunity discovery for the FRs. This is because they have stronger relationships with their carrier, which leads to access to new networks.	Our observations indicate that FRs have higher probability of discovering market opportunities compared to the other rider modes. The reason for this is a more developed relationship to their carrier compared to the IRs and ERs.	Supported
P2	ER: In general, ERs score lower on learning compared to the other rider modes. The firms mention that personal relationships are important for gaining knowledge. However, we have also seen that type of interaction with carrier affects the gaining of knowledge. IR: These firms are more embedded into the market, which increases the probability for gaining knowledge. They have stronger relationships with their carrier compared to the ERs. FR: Our observations indicate that they have higher probability to gain network knowledge because they have a much closer interaction with their carrier.	The higher degree of closeness in the relationship between the rider and carrier, the higher the probability of gaining network knowledge, therefore FRs have a higher probability than IRs and ERs.	Supported
P3	Both the ERs\` and IRs\` relationship to the carrier is mainly based on indirect export, and they appear more independent compared to FRs. The FRs have a closer relationship and are more economically attached to the carrier than the other rider modes.	When the rider establish with the carrier in a foreign country, it commits more resources into the relationship and gets more dependent on the carrier. Power asymmetry in the relationship.	Not supported
P4	In general, the ERs and IRs have a lower degree of entrepreneurial attitude compared to the FRs. A tendency according to our observations is that firms with high levels of entrepreneurship experience both independent and dependent internationalization, and not just independent as our proposition assumed. International ambitions and exploiting market opportunities are the most common traits that firms with high levels of entrepreneurial attitude hold.	Low levels of entrepreneurial attitude inhibit internationalization, and high levels of entrepreneurial attitude increase probability of both independent and dependent internationalization.	Partially supported
P5	The findings indicate that it is difficult for firms with low experience in international markets to plan sufficiently. However, the advantage for these firms is that they can stay more flexible and adapt quicker to changes in the market. The observations also indicate that firms with an ad hoc approach will often end up internationalizing through their carrier, meaning strengthening their piggybacking relationship.	Our observations support the proposition that less rigidity in business planning increases the probability of internationalization, but we see tendencies that as the relationship between the carrier and rider strengthens, there is an increase in the probability of dependent internationalization.	Partially supported
P6	We are not able to answer this proposition because of insufficient variation in our cases.		I/A

7 Summary and Conclusions

The case analysis has given us deeper insights into the phenomenon of piggybacking as well as benefits and drawbacks associated with it. A great part of the findings corresponded with assumptions and theory, however only two out of six propositions were fully supported. Taking a look at the rider modes, the findings support the initial propositions that FRs have an advantage in discovering opportunities and gaining network knowledge. Being established abroad, the riders' benefit of entering a carrier's international network, and domestically established riders cannot gain the same benefits. We expect that market opportunities and network knowledge are variables that are valuable in developing independent strategies, and in that context the findings support that the FRs are advantageous.

The next proposition gives a different picture. Contrary to what we proposed and expected, firms that are established abroad are more likely to experience lock-in as opposed to domestically established riders. The higher investment in the relationship from both the rider and the carrier gives foundation for the carrier to take more control, and we experience power asymmetry between the actors. With regard to internationalization, lock-in is assumed to decrease the probability of independent internationalization, meaning that FRs are disadvantageous. While the three first propositions either support or reject, the next two are more indistinct. What seems to be clear is that both entrepreneurship and staying flexible to prior planning are factors that are positively linked to internationalization. However, this does not necessarily mean independent internationalization. The FRs foreign establishment are results of seizing opportunities that are not part of a clearly developed plan. This is internationalization dependent on the carrier. With regard to further internationalization, Firm F and G have stated an interest for establishing in Brazil, where one seems to follow its carrier whereas the other have found other potential partners.

What does this mean for a rider's independent internationalization? The analysis of the propositions initially gives no exact answer. The findings from P1 and P2 suggest that FRs should have a higher probability than the other rider modes, whereas the other propositions are not that clear cut. Returning to the findings, neither Firm F nor Firm G has developed independent international strategies and both firms must be said to depend on their carrier in international operations. However, what we find is that both Firm F and Firm G are newcomers on the international arena. They have in a business perspective not been established in Houston for a long period of time. Firm F established the subsidiary in 2001 and Firm G in 2004. Adapting to a new market and business culture takes time, and both firms can be expected to still be in the process of acclimatizing. As the establishment is quite recent, the main focus of the firm will be to develop the carrier relationship further. In such a process, a SME could not necessarily be expected to concurrently develop independent strategies. This may explain why we find that FRs have a greater probability of discovering market opportunities and gaining network knowledge, but have not been able to exploit these advantages for independent strategies. As the firms grow and become more stable players in the foreign markets, we might expect the firms to utilize the knowledge, network and opportunities for more independent internationalization.

7.1 Practical Implications

Entrepreneurship and closeness to the carrier

One major finding is the importance of developing a close relationship to the carrier. In this paper, we have emphasized access to the carrier's network and underrated the positive effects of the riders' direct relations to carriers. As shown in the analysis, most opportunities are results of the carrier seeing the value of extending the relationship with the rider and inviting them into new projects. The theory assumes an asymmetric power relation and thus lacks focus on what the rider can do to strengthen its relational position. However, proactive riders are well positioned to influence the relationship.

In the ER and IR modes, where the focus is on indirect export, the relationship is initially loose. A carrier often has a vast amount of suppliers and the rider cannot automatically expect the carrier to want to strengthen the relationship. The competition is too hard. In such situations, the active and proactive behaviour of the rider will be important for developing the piggybacking relationship. A good example is the attitudinal and behavioural difference between Firm A and Firm C. Firm A complaints about the lack of interaction with carrier, but does not actively seek to develop it, arguing that they are too far down the supplier chain. Firm C being in much of the same piggybacking relationship as Firm A has been able to deepen the relationship with their carrier by actively keeping in contact with the carrier and its management. As a result, they report of a greater developed network and more gained knowledge. There is asymmetry in the relationship between the rider and carrier, and often the carrier has several suppliers whereas the rider has only one, or a small number of carriers. To overcome this barrier, the rider needs to excel an active engagement towards the carrier. As mentioned earlier, high degree of entrepreneurship may not necessarily lead to independent internationalization. By definition, a closer relationship to the carrier and exploiting opportunities together with the carrier is a strengthening of the dependent piggybacking relationship. However, entrepreneurship develops and improves the knowledge and network that is a necessity to successfully go independent. Thus, entrepreneurship is not a direct route to independent internationalization, but an important step as it strengthens the relationship to the carrier and increases the probability of gaining the relevant knowledge, network and market opportunities.

Type of foreign experience

Beside from foreign establishment, type of foreign experience plays a role. Crossing domestic borders and getting a taste of business in other countries give valuable knowledge and opportunities to expand the network. However, not all types of foreign experience give the necessary interaction with the carrier or end customer. We see this difference clearly between the two IRs. Firm D has a greater interaction with both the carrier and the end customer when operating abroad, and the firm is interacting at the management level. Thus, they are able to engage in face-to-face interaction and develop personal relations which are important in gaining knowledge, opportunities and network. Firm E lacks this type of interaction when going abroad. Their excess part of international activity is related to maintenance and installations. This process does not require management interaction and Firm E loses out on the opportunity to develop personal relations in the same degree as Firm D. We do not find clear evidence that Firm E is able to gain more knowledge and discover more opportunities than ERs that lacks the regular foreign experience. ERs are able to develop personal relations by proactively staying in contact with their carrier, such as Firm C, and the positive gains that come as a result may prove to be just as valuable as the foreign experience firms get through product maintenance and installations.

Type of product and internationalization

Our analysis is based on high quality products. As all firms deliver products of high quality, we did not have sufficient variation in our cases. However, product characteristics are expected to have an effect on how products are sold internationally. For the carrier to invite a rider to co-establish abroad, the carrier must assess the rider's product to have characteristics that cannot be fully exploited by indirect export. Relating this to the previous paragraph; the nature of the product have an effect on what type of foreign experience the firm will get. Looking at the ERs, they produce less complex products than both the IRs and FRs. As the focus of ERs products are hydraulic components, valves and piping, these products consist of fewer elements than more technical and complex products such as ROVs and leakage detection systems. One should not confuse this with generic versus customized products. ERs offer customization, but as the product types are less complex, the customization is easier to organize. As producers, they can receive the technical orders for production domestically and rely on export. For these reasons, the carrier may not see the potential in extending the relationship by co-establishing abroad. More technical products such as ROVs and leakage detection systems also have a greater potential for further product development and market specific development, while also being more prone to needing maintenance. For these reasons, it can be seen as useful for the carrier to have the rider close to the market, as both maintenance and product development is related to the foreign market. Thus, producers of complex and technical products may be more attractive for carriers to invite abroad. We can also briefly point to the difference in services and products. For Firm D, which delivers consultancy services, the characteristics of what they are offering require foreign experience and frequent involvement with their customers. As opposed to products, firms delivering international services will automatically gain international experience.

Is ending the piggybacking relationship necessary?

One can ask the question of whether ending a piggybacking relationship is necessary. Following theory, we initially assumed that piggybacking is the sole form of international activity and that the piggybacking relationship has a finite life. Both of these assumptions are not found to hold true. All the cases we have analysed perform international activities unrelated to piggybacking. Even Firm A being the firm that best fits the ER mode, has some direct sales to the international market. Also, developing independent strategies does not necessarily mean an end to the relationship with a carrier. Firm H still has indirect sales through their exporter even though they have a well-established agent network in Asia as well as having offices established both in Aberdeen and Houston. There is no evidence suggesting that Firm G will terminate their relationship with their carrier in Houston if they enter the Brazilian market without their carrier. The point is that firms operate in different markets, and the optimal strategy varies across markets. The US (Gulf of Mexico) market is characterized as a different market arena where networks and personal relations are necessary. To enter this market without a partner can represent a great challenge and barrier, experienced by Firm H. Being established with a partner reduces the market entry cost and barriers, but the network and reputational advantages by staying close to a larger market player does not automatically diminish after the entry stage is over. Thus, going independent will not necessarily mean an end to the piggybacking relationship.

7.2 Theoretical Implications

In many ways, this paper is most interesting in a theoretical perspective as some of the major findings do not correspond with previous literature. We will now point to the aspects where we believe the piggybacking literature could be extended and improved.

Theory states that riders enters a piggybacking relationship to compromise for the lack of resources and competencies needed to carry out international activities and assumes that the carrier is the rider's sole international market entry mode. We have found that the relationship between the rider and carrier is not as uniform as expected. We will not go any deeper into the reasons as this has been thoroughly covered previously. It can, however, have implications for further studies. As firms deal with different international strategies in different markets, the piggybacking relationship will not be as critical as it would have been if it was the sole option. For further studies, it would be interesting to identify the decisive arguments for choosing piggybacking when the SME have other potentially successful options. Also, theory should include the assumption that ending the piggybacking relationship is not necessarily desired by the firm. As such, research would then not implicitly assume that the relationship has a finite life. For future studies it would be interesting to investigate riders' assessments when evaluating the relationship and uncover the decisive arguments for ending or continuing the piggybacking relationship.

We have not registered studies focusing on industrial differences in the piggybacking literature. In our study, we find this to be relevant with regard to the issue of lock-in. The subsea industry is highly professional and quality control and assurance is critical. Thus, product quality has precedence, and with the professional business milieu being small, managers would rely on word-of- mouth marketing. This means that if a rider delivers a high quality product, this information will be spread. Because high quality products have the highest priority, a rider may have a high probability of getting connected to other potential customers. Thus, the highly professional industries seem, relative to other industries, less likely to experience issues of lock-in. We believe similar differences can be found with regard to other industrial differences as well. It would be beneficial for the literature to incorporate industrial differences and study how they affect the rider-carrier relationship.

We initially assumed that the relevant knowledge and discovery of opportunities were found in the carrier's network, an assumption which we later found to be exaggerated. The direct relationship to the carrier is more important than expected and later studies should explore more thoroughly the gains and benefits the rider receives in the direct relationship to the carrier.

7.3 Limitations

We have previously touched upon limitations concerning the rider modes. Differences in the length in time firms have been selling to international markets challenge the data analysis. Also, the fact that the FRs' establishment is Houston is quite recent means that we may not be able to observe the positive gains we initially assumed. These are constrains to the quality of the study. We will conclude this paper by showing to other limitations and weaknesses.

We have found that piggybacking is seldom a sole option for international activity. This is an interesting finding and nuances the understanding of piggybacking presented in the literature. However, it contributes to reduce the difference between the rider modes, specifically between the ER and IR mode. By definition, the two rider modes differ with regard to foreign experience related to the carrier inviting the rider abroad for specific transactions. When riders have alternative options for international sales, ERs may obtain foreign experience not related to the carrier, thereby extinguishing the difference between ERs and IRs. This may contribute to explain why we do not find much difference between ER and IRs with regard to market opportunities and network knowledge. Other parameters should be found to strengthen the distinction between the rider modes.

To be able to exploit the advantages of entrepreneurship, it is important to be flexible with regard to planning. An important aspect of entrepreneurship is to be able to discover and respond to occurring market opportunities. With a rigid plan, the positive advantages of entrepreneurship cannot be exploited. We see that the FRs international expansion in Houston is a result of the response of occurring market opportunities and not a part of a pre-developed plan. However, the connection between these two factors is not surprising. In the paper we decided to analyse entrepreneurship and planning in separation. However, the findings from their corresponding propositions are matching. The firms that perform activities that are considered unplanned can also be described as responding to occurring market opportunities. The distinction between entrepreneurship and unplanned behaviour is blurry, and we are not sure that there is enough difference between them to justify that they are divided into two different propositions.

Certain concepts would have benefitted from a stronger literature review. We believe this is most prominent with regard to lock-in. P3 dealing with this concept was the only proposition where findings indicated the opposite of what we assumed. This may not seem surprising. We have based our proposition on the writings of Echeverri-Carroll et al. (1998) and did not consider the transaction cost perspective. This is a weakness in the paper, as transaction theory would challenge the work of Echeverri-Carroll et al. When going from an ER or IR mode to an FR mode, the specific investments in the relationship increase, leading to higher switching costs of ending the relationship. From a transaction cost perspective, firms having invested more resources to the specific relationship, such as FRs, will be more locked-in than the other firms. There is always a dilemma when deciding how much literature and which literature to include. However, we based our proposition solely on one article, and then lose out on valuable criticism which would have strengthened the review on lock-in.

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Appendix 1: Interview-guide (in Norwegian)

Innledning

Stilling, antall år i selskapet

Bedrift: antall ansatte, alder på bedrift, produkter, bransje

Produkt

Hvordan vil du beskrive produktene dere selger? (Spesialisering/kompleksitet/avansert)

Kan du beskrive dine konkurrenter?

Tilbyr de nøyaktig samme produkt eller er det store forskjeller?

Hvor langt foran i teknologiutvikling ligger de i forhold til dere eller omvendt?

Hvorfor kjøper kundene produktene deres fremfor å kjøpe hos konkurrentene?

Hva anser dere som deres konkurransefortrinn?

Hva anser dere som deres viktigste konkurransefortrinn i bedriftens internasjonalisering?

Rider mode

Kan du beskrive hvordan produktene deres selges til det internasjonale markedet? (Hvilke internasjonale markeder?)

Kan du beskrive hvordan dere samarbeider med andre firma i salg til det internasjonale markedet? (Klyngebedrifter, Andre/Hvilke roller spiller de?)

Hvem anser dere for å være deres viktigste samarbeidspartnere/kunder i internasjonaliseringsprosessen?

Hvor lenge har dere operert på det internasjonale markedet?

Hvorfor går dere internasjonalt?

Hvor stor andel av salget er internasjonalt?

Hvordan har utviklingen vært fra dere startet internasjonalt?

Har dere direkte kontakt med kundene på det utenlandske markedet, eller opererer dere kun fra hovedkontoret (Hvorfor kontakt med marked?) Kundepleie, vedlikehold, etablering. Forklar direkte kontakt.

Har dere etablert egen avdeling i et annet land? Hvor/Hvor mange/Eksempel.

Legger dere mye ressurser i den internasjonale avdelingen? Oppfattes internasjonalisering som risikofylt?

Nettverk

Hvordan har internasjonalisering bidratt til å utvide nettverket deres?

Hvordan har deres internasjonale partnere hjulpet dere med å oppdage nye markedsmuligheter? (Kunder, Partnere, Produktutvikling)

Hvor viktig anser dere kundene deres for å være? Leverandørene?

Hva lærer dere av samarbeidet?

Markedskunnskap/Kulturell læring/Institusjonell/Hvordan drive internasjonale forretninger?

Kan du beskrive utfordringer med hensyn til å lære av andre firma?

Hva gjør dere internt for å "holde på" det dere lærer?

Hvilken læring ser dere på som mest nyttig?

I deres tilfelle, lærer dere mest av deres kunder, eller gjennom egen erfaring? Hvorfor? I startfasen?

Er det noen forskjell på det dere lærer av kundene deres og det dere lærer gjennom egen erfaring?

I hvilken grad er dere avhengig av deres større kunder?

Hvordan er kundesammensetningen deres? Har dere færre store kunder eller flere små?

Har dere noen kunder som står for en stor del av det totale salgsvolumet? Har dette forandret seg med tiden?

Har dere gjennomført internasjonale strategier uavhengig av partnere?

Hvis ja, hva var bakgrunnen?

Entreprenørskap

Hvordan vil du beskrive bedriftens vilje til å satse internasjonalt? Høy risikovillighet?

Hva er deres internasjonale visjoner og mål?

Er visjonene og målene reflektert i bedriften handlinger?

Hvordan er viljen til å lykkes internasjonalt?

Søker dere aktivt etter muligheter for å utvide internasjonalt?

Bruker dere nettverket i den forbindelse?

Strategier (planned/unplanned)

Hvordan blir avgjørelser/beslutninger tatt med hensyn til den internasjonale driften?

Hvordan vil du beskrive bedriftens evne til å respondere på endringer i oljeindustrien?

Vil du si at bedriftens internasjonalisering er et resultat av nøye planlegging?

Har bedriften en nøye utarbeidet plan for videre internasjonalisering?

Har bedriften utvidet internasjonalt på bakgrunn av ikke-planlagte strategier? Har det forekommet ofte? Har de vært forbundet med høy risiko? Har utfallet vært suksessfullt?

Avslutning

Hvilke utfordringer har dere hatt med å lansere produktet i utlandet?

Hva er de viktigste egenskapene for en bedrift for å selge internasjonalt i oljeindustrien? Ekspertise, høyt spesialisert produkt, service.

Hvor viktig er det å bli ansett som eksperter på sitt fagfelt?

Kan du si noe om utfordringene dere møter når dere legger planer for den internasjonale driften? (mangel på erfaring/kunnskap/ressurser)

Hva har dere lyktes best med? Viktige erfaringer? Råd dere kan gi til lignende bedrifter?

This report investigates piggybacking relationships in the NCE subsea cluster in Bergen region. A piggybacking relationship consists of a rider (SME) and a carrier (larger MNC), where the rider exploits the carriers' marketing resources. These relationships enable small firms, lacking resources and competencies, to overcome barriers in foreign markets. The research investigates whether piggybacking increases the riders' probability to become an independent international firm eventually, and use a multiple-case study to test 6 propositions. The findings reveal that foreign-established riders are more likely to conduct independent international strategies, and riders who are entrepreneurial and flexible tend to become more international.

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