

Strategies for Global Competitiveness

Dynamics between competitive strategies, resources and capabilities and performance of exporting companies in Latin America

Abstract

This study examines the interaction among competitive strategies (differentiation and cost-leadership), resources, capabilities, and export performance under "strategy tripod" approach. We used a questionnaire survey of executives of manufacturing and service companies in Peru, Brazil, Mexico and Chile and employed an SME (structural model equation) to test the hypotheses and confirmatory factor analysis (CFA). We found bi-directional relationship between capabilities and strategies, meaning that formulation and implementation of strategies are integrated. Additionally differentiation strategy needs of marketing linking capability to increase business performance whereas cost strategy needs of operational capability. We conclude with practical and theoretical implications and future research.

Key words: Emerging Markets, Business Strategy, export performance.

Introduction

Latin American companies have maintained an increasing trade between countries, as reflected in regional integration agreements as Southern Common Market (MERCOSUR), North American Free Trade Agreement (NAFTA) and the Asia Economic Cooperation Forum Pacific (APEC) promoters of internationalization of Latin American companies. However in the last five years exports in Peru and other Latin American countries have declined, especially in sectors where there has developed efforts to innovate (Gutiérrez & Vega, 2010; Ketelhöhn & Ogliastri, 2013). In this context, the implementation of competitive strategies is an important aspect; because failures in strategy will produce more in the implementation phase than in the formulation (Voola & O'Cass, 2010), and it is reflected in the performance (Preet S. Aulakh, Kotabe, & Teegen, 2000; Parnell, 2011; Pertusa-Ortega, Molina-Azorín, & Claver-Cortés, 2010; Voola & O'Cass, 2010).

These failures in implementation, evidence from the perspective of strategic implementation or contingency model (Pertusa-Ortega et al., 2010) These failures in the implementation, evidence from the perspective of strategic implementation or contingency model, where competitive strategies configured to resources and capabilities to gain a competitive advantage (Kaliappen & Hilman, 2014; Pertusa-Ortega et al., 2010). From the theoretical perspective of resources and capabilities, it arises to implement a strategy that the company should develop strategic capabilities (J. Barney, 1991; Kaliappen & Hilman, 2014; Pertusa-Ortega et al., 2010; Voola & O'Cass, 2010) which increase the causal ambiguity and avoid imitation (Powell, Lovallo, & Caringal, 2006).

Recent research has also shown that the resources and capabilities influence competitive strategies, especially at the stage of strategic formulation so that the choice of strategies is not only influenced by the environment (market and institutions) but

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by the resources and capabilities available that enable the company to harness its capabilities (Lu, Zhou, Bruton, & Li, 2010c; Gautam Ray, Jay B. Barney, & Waleed A. Muhanna, 2004a).

Finally, researchers point out that the relationship is in both directions (interaction) and argue that the degree of "fit" between strategy and resources / capabilities have a significant effect on performance (Geiger, Ritchie, & Marlin, 2006).

Analyzed the context of companies, most theories that explain the relationship between competitive strategies and export performance, have been conducted in developed economies, therefore, research in exports from emerging economies, is in develop with the objective to understand the company mechanisms of interaction between internal and external factors (Preet S Aulakh, Rotate, & Teegen, 2000).

This research presents an unreleased theoretical model that addresses the research question ¿How does interact the resources and capabilities with competitive strategies to impact on export performance in companies in emerging economies? which aims to explain how to develop the interactions between resources, capabilities, competitive strategies and export performance of companies in emerging economies, from a theoretical perspective that integrates the institutional, resources capabilities and industry under the approach of dynamic capabilities that complement the theoretical perspective of resources and capabilities of the firm (D.-y. Li & Liu, 2014; Wang & Ahmed, 2007).

Literature review and hypotheses

In recent years, it discussed the relationship between resources and capabilities strategy and performance. In this sense, based on the conceptual framework proposed by Barney (1991), Porter (1991) y Peng, Wang, & Jiang (2008) They have been raised unidirectional models partially explain how the internal capabilities of the company and strategic competencies relate and impact on performance, whether the company adopted an export strategy based on cost or differentiation. The relationship between these three elements has been widely discussed in the literature (Kaliappen & Hilman, 2014; Pertusa-Ortega et al., 2010), but with the limitation that only considered one perspective (implementation or conceptualization) strategic and mostly in developed countries. This study seeks to understand this relationship from the perspective of interaction integrand implementation perspective (Pertusa-Ortega et al., 2010) with strategy formulation (J. Barney, 1991), that is to say, considering developing competitive strategies along with resources and capabilities that interact continuously, in a recursive and complex way in the process of sustainable competitive advantage (Ndofor, Sirmon, & He, 2011a; Parnell, 2011).

The theoretical framework proposed by Porter (2008) is linked to the perspective of strategic implementation and identifies five forces: Intensity of rivalry in the industry, threat of new entrants and substitutes, bargaining power of suppliers and buyers, these forces determine the potential attractiveness of the industry, the company can achieve an attractive position to apply one of two possible strategies: differentiation or cost leadership en costos (Porter, 1991, 2008). that is to say , strategies are consistent training activities in order to gain a competitive advantage (Porter, 1991), This economic approach assumes

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that all companies are almost similar and the manager does not have impact on the performance of the company (Makadok, 2001).

On the other hand, Barney (2002) explains the performance of the company based on the possession of resources and strategic capabilities not imitable and valuable that generate competitive advantage (Gautam Ray, Jay B Barney, & Waleed A Muhanna, 2004b). However, the vision of resources and capabilities no explain how strategic capabilities develop, so the prospect of dynamic capabilities explains how these (dynamic capabilities of third order) enable the company to adapt to the environment through the development of new capabilities that generate sustainable competitive advantage (Vogel & Güttel, 2013; Wang & Ahmed, 2007), from this perspective, the market dynamics influences the dynamic capabilities to guide the type of strategy that allows the development of new capabilities which achieved the sustainable competitive advantage of the company (Wang & Ahmed, 2007).

Addition to the effect firm and industry to explain the performance Peng et al., (2008) includes the vision of institutions relevant factor in emerging economies(Meyer & Peng, 2015).

Recent advances in the theory of dynamic capabilities explained that strategic and dynamic capabilities allow the company to respond and adapt to the demands of the dynamic market (Wang & Ahmed, 2007), then technological and consumer trends influence the dynamic capabilities (see. Figure 1).

The debate on the sequence of steps in the strategy suggests that the formulation and implementation are separate and consecutive stages, however, recent research suggests the strategic integration as the combination of both stages to achieve competitive advantage (Meyer & Peng, 2015; Nag, Hambrick, & Chen, 2007), then in figure 1 we see that there would be a two-way relationship between resources capabilities and competitive strategies.

We will use the theoretical perspective of strategic tripod to understand how these three elements interact: competitive strategies, resources and capabilities and export performance, the proposed model shown in Figure 1.

“Insert figure 1 here”

In the case of emerging economies has shown that approaches to industry, business and institutions are complementary (Ndofor et al., 2011a). Thus, similar studies as Spanos & Lioukas (2001) found that the resources and capabilities define the essence of the strategy, besides affecting a particular dimension of performance (Rivard, Raymond, & Verreault, 2006). On the another hand, Ndofor, Sirmon, & He (2011a) competitive actions show that partially mediate the relationship between technological resources and performance. This dynamic interaction allows us to propose a model of transition between static and dynamic analysis, for understanding the complexity of the relationship between resources, competitive actions, and performance (Ndofor et al., 2011a).

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Competitive strategies influence the performance (Pertusa-Ortega et al., 2010; Porter, 1991; Spanos & Lioukas, 2001), according to Porter (1991, 2008) the company may choose one of two strategies - cost leadership or differentiation - in a market segment to achieve any competitive advantage. In the same line, Spanos & Lioukas (2001) called this relationship "effect or utility strategy", the focus is creating value for customers, either by product differentiation or cost reduction. Then we propose the following hypothesis:

H1a: *Competitive strategies (Cost/Differentiation) positively affect the export performance of companies in emerging economies.*

H1b: *Performance positively affects the decision of competitive strategies (Cost/Differentiation).*

The revised literature from the approach of RBV suggests that it is necessary that the company holds a capacity or resource difficult to imitate or not substitutable to generate competitive advantages (J. Barney, 1991; Parnell, 2011). Research papers that explain the origin of profitability in export firms employ as dependent variable export performance (Preet S. Aulakh et al., 2000) and use the theory of resources and capabilities (RBV) (J. Barney, 1991; Dhanaraj & Beamish, 2003; Parnell, 2011). Likewise, the authors prove the importance of resources and capabilities in identifying and sustainability of competitive advantage (Parayitam, 2010) then improve performance. Among the strategic resources include: organizational, entrepreneurial and technological (Dhanaraj & Beamish, 2003). Among the capabilities are strategic as management, innovation, information search, marketing, technology, and market linking capability (Wayne S. Desarbo, Di Benedetto, Song, & Sinha, 2005). Additionally an appropriate business performance (financial example) allows the development of new resources and capabilities (Ndofor, Sirmon, & He, 2011b). Then we can say:

H2a: *Resources and capabilities positively affect the export performance of the company.*

H2b: *The export performance positively affects the resources and capabilities.*

According to Ortega (2010), competitive strategy depends on the resources and capabilities of the company, therefore more resources, it improves the ability to develop a strategy that allows the company to gain competitive advantage. Ndofor et al. (2011a) demonstrated a causal relationship between the resources towards strategies; however, considering dynamics in the model, competitive actions also allow you to build and expand the portfolio of resources and capabilities (Smith, Ferrier, & Ndofor, 2001).

The interaction between resources and strategies significantly influences the performance of the company (Pertusa-Ortega et al., 2010; Porter, 1991; Spanos & Lioukas, 2001); for example, from the perspective of implementation of strategies is needed development resource to make an impact on performance (Kaliappen & Hilman, 2014; Pertusa-Ortega et al., 2010). From the perspective of formulation of strategic the relationship between resources and capabilities on performance, it is incomplete if it does not consider the mediating effect of competitive strategies (Pertusa-Ortega et al., 2010), that is for resources and

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capabilities that influence performance, the company must develop actions in the market to develop products or services that will improve their performance . Both perspectives (formulation and implementation) is dynamically integrated into a complex iterative process and its outcome is evaluated on the performance of the company (Kunc & Morecroft, 2010; Mike, 2002; Nag et al., 2007). Then we affirm

H3a: Resources and capabilities positively affect the competitive strategies (Cost/Differentiation).

H3b: Competitive strategies (Cost/Differentiation) positively affect the resources and capabilities.

Metodology

We use structural equation systems to validate the hypothesis, for this purpose first validated a measurement model and then evaluate the fit of the structural model (Joseph F Hair, William C Black, Barry J Babin, & Rolph E Anderson, 2013; Hayes, 2013), in order to evaluate the model endogeneity (Reeb, Sakakibara, & Mahmood, 2012), first, evaluate a recursive structural model as shown in Figure 2 and then analyzing a nonrecursive model in order to consider the double directionality between strategy and capabilities through the use of instrumental variables (Brahm & Tarzijan, 2015), previously tested and using the statistical program stata 13.1 (Robbins, 2012).

Insert figure 2, here

Sample and data collection

Our selection of countries is a response to a diverse range of issues. On the trade front, an important initiative was spearheaded by Mexico, Peru, Colombia and Chile, which is known as the Pacific Alliance. Chile, Brazil and México have shown strong economic growth over the past ten years, with growth rates between 6% and 8% (Illescas & Jaramillo, 2011), high export volumes and the implementation of trade liberalization policies that foster international trade. Although Peru has not been considered in the previous studies that we examined, it was included in our sample because, in recent years, Peru has also experienced a rapid increase in exports (Awokuse, 2008; Illescas & Jaramillo, 2011; Tulet, 2010).

Applying methodologies of the previous studies to collect data on emerging economies (Aulakh et al., 2000; Gao et al., 2010; Hoskisson et al., 2000), the primary data were collected by surveys of executives from exporting companies in Peru, Chile, Brazil and Mexico, excluding subsidiaries of exporting companies that operate in these countries. Prior to the implementation of the surveys, the subject companies were validated by interviews with four businessmen from different countries. For the administration of the survey, an online survey design was applied using the professional online survey software. We employed a mail personalization strategy (Sánchez-Fernández, Muñoz-Leiva, & Montoro-Ríos, 2012) and high-frequency contact (every 7 days) (Muñoz-Leiva et al., 2010). A total of 4311 emails (one email per company) that targeted executives who are responsible for export strategies were sent. Initially, 262 responded, but only 201 were complete.

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Data description

Of the companies that completed the questionnaire, 45% were Mexican; 22% Peruvian; 21% Brazilian and 11% Chilean. With regard to the type companies and the products that they export: 37% are durable goods manufacturing companies; 25% are non-durable goods manufacturing companies; 19% are agricultural and maritime foodstuffs companies and 19% are companies that provide exporting services (logistics and consultancy). Table 1 summarizes the characteristics of the sample. An ANOVA factor test for the evaluation of non-response bias that considers firms that responded completely and incompletely was applied (Muñoz-Leiva et al., 2010) We concluded that both of the samples were similar and that there was no significant non-response bias.

Insert table 1 here

On the other hand with respect to the type of product exported: el 37% del total son empresas exportadoras de productos de manufactura no perecible, el 25%, empresas que exportan productos manufacturados perecibles, el 19%, empresas de productos alimenticios agrícolas y marítimos y el 19 %, empresas exportadoras de servicios (logístico y de consultoría). Referente al tipo de negocio de exportación: el 58% son exportaciones B2C; el 42% son exportaciones B2B. Distribución por economías de destino: el 69% exportan a economías desarrolladas y 31%, a economías en desarrollo. La experiencia exportadora promedio varía entre 13 a 22 años, y el número de empleados promedio varía entre 89 y 747. La tabla 2 resume las características empresariales de la muestra.

Insert table 2 here

Assessment of non-response bias and selection

Nonresponse bias: Typical in surveys mailed (Muñoz et al, 2010), as we do not know the exact characteristics of the companies that did not respond to the survey, we applied a partial test only for firms that responded fully and incomplete (Muñoz et al., 2010), based on the following variables: number of employees, years of export experience, export share in South America, Central America, Mexico, Africa, Middle East, USA, and Canada (Armstrong & Overton, 1977). Table 3 shows the results.

Insert table 3 here

It is observed that there is no significant difference between the control variables of each group (non-respondents and respondents). However, there is a slight difference in the variable export experience. Because most companies did not complete the survey have on average more years of experience than those did complete the survey, that is to say, companies with more years of experience are more reluctant to answer surveys, perhaps, by internal policies of retaining the 'know how'. Relationship is no observed between the years of experience of export business with the number of employees (CR=0.2). In addition, we evaluate the country effect on companies that did not respond, through a test of proportions and no significance

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was found (Pearson $\chi^2(3) = 5.1030$; $Pr = 0.164$). We conclude that both samples are similar and there is no significant nonresponse bias

Assessment of common method bias

Because the executives that answered the survey were asked to report their own perceptions on two or more constructs in the same survey, spurious correlations are likely among the measured items due to the measurement instruments, rather than the fact of the constructs being measured (Kamakura, 2010). To assess the possible existence of this issue, which is called the common method bias (Chang, Van Witteloostuijn, & Eden, 2010), we applied Harman's single factor test and an additional refinement using latent common factors with all of the other factors of the model (Preacher, Rucker, & Hayes, 2007). We conducted an exploratory factor analysis for all of the variables in the model and found 17 factors with the only factor to explain 30% of the database. Once again we applied Harman's test with a measurement model applying structural equation modeling and considering only one construct that explains all of items in the survey (Lu, Zhou, Bruton, & Li, 2010). The level of significance of the model can be assessed with these statistics: $\chi^2_{ms}(3569) = 12392.263$, $p < 0.00$, RMSEA = 0.112, CFI= 0.441, TLI= 0.428, SRMR= 0.107, CD= 0.984. As is shown by the statistics, the model demonstrated a very poor fit. Finally, we refined the calculus including one factor that was common to the model to evaluate the variance of this common factor, and the fit is not significantly different than the previous model. Therefore, these results suggest that common method bias is not a significant threat for the model that was suggested (Lu et al., 2010).

Measurement of variables

We divided the measurement of the variables of the model of the figure 1 into dependent, independent and control variables.

Dependent variable.

Export performance a second order construct consists of three factors, financial, customer and product, as they have been used in the previous research for emerging economies (Aulakh et al., 2000; Gao et al., 2010; Voola & O'Cass, 2010).

Competitive strategies

Cost leadership: We measured the degree of orientation of the strategy towards costs using factorial analysis, as it has been employed in the previous research (Aulakh et al., 2000; Gao et al., 2010; Voola & O'Cass, 2010).

Differentiation leadership: Indicates the degree of differentiation strategy of the company as employed by (Aulakh et al., 2000; Brenes et al., 2014b; Gao et al., 2010; Voola & O'Cass, 2010). The constructs of competitive differentiation strategies were measured according to the previously validated scales (Aulakh et al., 2000; Gao et al., 2010; Voola & O'Cass, 2010).

Resources, and organizational capabilities

Strategic marketing capabilities: Includes knowledge of customers, competitors, integration of marketing activities, pricing strategy and advertising (Desarbo et al., 2005).

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Strategic capability connection to the market: It refers to the capabilities of the company to develop lasting relationships with customers and suppliers (Desarbo et al., 2005).

Strategic capability information technology: It refers to the capabilities that help the organization to create and disseminate knowledge, for example, for the development of new products (Desarbo et al., 2005).

Strategic technological capability: It refers to technological capabilities of product development and operational efficiency of the company (Desarbo et al., 2005).

Strategic management capability: It refers to the ability to integrate logistics systems, cost control, financial management and projection of results (Desarbo et al., 2005).

Strategic diffusion capability: It refers to the degree to which the strategy is effectively implemented and is an important part of the organization. It is related to the degree of understanding and commitment of middle managers of the organization in implementing the strategy and communication with the company (Parnell, 2008).

Control variable

Control variables follow the work of (Aulakh et al., 2000) and include country (Peru, Chile, Mexico and Brazil), line of business (agricultural / marine, services, manufacturing / non-durable and durable manufacturing), business type (B2B and B2C), product type (manufacturing and service), firm size (number of employees) and international experience (years of export to foreign markets). These control variables were included in our estimation, but they did not have a significant effect.

Results

Recursive model

With the purpose to evaluate the influence of resources and capabilities on competitive strategies, a recursive structural model was evaluated, see figure 2 the conceptual scheme. Table 4 and 5 shows the convergent and discriminant validity of the constructs.

Insert figure 2, here

Insertert table 4 and 5, here

In the case of Peru, Chile, Brazil and Mexico, the recursive model with the conceptualization approach applies to Latin America, as shown in Table 6, the operational capabilities positively affect strategies.

Insert table 6, here

Table 7, you can see that the differentiation strategy directly influences on financial performance, customer, and product, but only market linking capability affects the performance of the customer. In summary, we show that the approach of conceptualization can be applied in Peru, Chile, Mexico and Brazil.

Insert table 7, here

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Nonrecursive model

With the aim to evaluate the integration of the stages of formulation and strategic implementation, we evaluate the causal bidirectionality between resources, capabilities and competitive strategies, evaluating a second structural model with instrumental variables, figure 3 shows the conceptual schema. Table 8 and 9 show evidence of endogeneity and relevance of instruments and the results of the structural nonrecursive model with instrumental variables shown in Table 10, 11 and 12.

Insert figure 3, here

To solve the problem of endogeneity associated with the capabilities and competitive strategy, we use instrumental variables. We estimate a structural model, not recursive with instrumental variables (see figure 3). The instrumental variables should check their relevance through statistical tests and only affect their respective endogenous variables. We tested if the instrumental variables are relevant using *ivregress postestimación* for the software Stata 13.1.

To test the null hypothesis if the variable concerned can be treated as exogenous we perform Durbin and Wu-Hausman test. The difference between test Durbin and Wu-Hausman endogeneity is that the first uses an estimate of the variance of the error term based on the model assuming that the variables to be tested are exogenous, while the second uses an estimate of the error variance based on the model assuming that the variables to be tested are endogenous. Under the null hypothesis that the variables to be tested are exogenous, both estimates of error variance are consistent.

Overall, Table 8 shows that the test Durbin and Wu-Hausman reject the null hypothesis that the competitive strategies and capabilities are exogenous at conventional significance levels (p-value = 0.00).

Insert table 8, here

In addition, in Table 9 the F Cragg y Donald (1993) F-statistic test the null hypothesis of weak instruments, however as all instruments are significant, we reject the null hypothesis.

Insert table 9, here

In the case of Peru, Chile, Brazil, and Mexico, the nonrecursive model with instrumental variables for Latin America show that the operational capabilities affect the strategy positively. However, marketing linking capabilities have a negative effect on differentiation strategy (see Table 10).

Insert table 10, here

Table 11 shows that there is feedback between the capabilities and strategies because the differentiation strategy affects marketing linking capabilities positively, whereas the cost strategy affects negatively.

Insert table 11, here

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Finally, we found that the differentiation strategy directly influences the overall performance. However, connection capabilities with the market positively affect the client-based performance (see Table 12). These results are consistent with results from the perspective of conceptualization shown in Table 7.

Insert table 12, here

Conclusions and future research

The principal conclusion for exporting firms in emerging economies is that the implementation and conceptualization are integrate, because the resource and capacities with the strategy are bidirectional. It is the company to adapt to market needs the capacity of operation and connection to the market to undertake strategic actions cost or differentiation; but in turn, the strategic actions (cost and differentiation) allow the company to use the capabilities of operation and connection to the market to improve the performance of the company.

This conclusion has an important impact on the theory and practice of management. For the theory gives new light to understand the strategy like the integration of conceptualization and implementation. For the practice the manager should be aware that should formulate strategy integrating the resources needed for its implementation to improve the performance of the company.

This model can be useful for future investigations in the business strategy field, specifically for firms in emerging economies. Several models have been proposed and validated for developed economies, to a lesser extent for developing economies, and very few for Latin America, which has a diverse sample of countries (Peru, Chile, Mexico and Brazil).

The size of the sample of firms was not large enough to conduct all of the structural assessments by groups and multiple countries. Subsequent studies can be carried out with larger samples that could lead to structural models identified by country. To control non-response bias, surveys can be conducted in different time periods and combine the data collection methods (in person and by e-mail), as well as increasing the number of invitations to participate in the survey (Muñoz-Leiva et al., 2010). The validation of the model confirms that differentiation strategies generate a greater impact than cost-leadership strategies performance. This aspect is important for exporting firms in emerging economies, which are strongly oriented towards commodities exports and adopt a cost-leadership strategy because they can improve their performance if it is combined with a differentiation strategy (regardless of the type of firm, line of business or economic trends).

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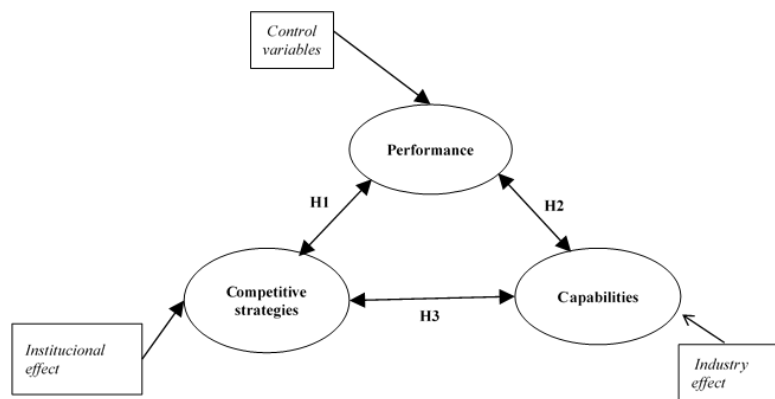


Figure 1: Proposed theoretical model for emerging economies.

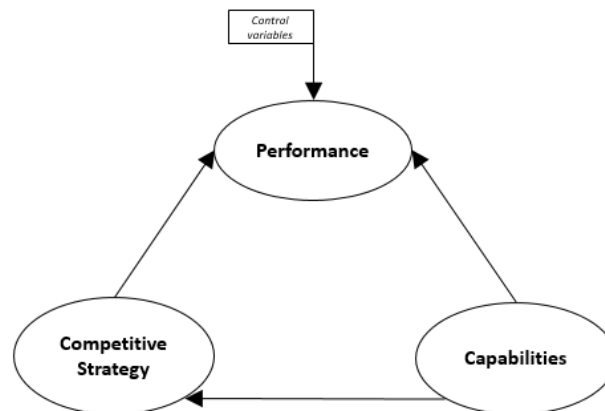


Figure 2: Recursive structural model based on conceptualization.

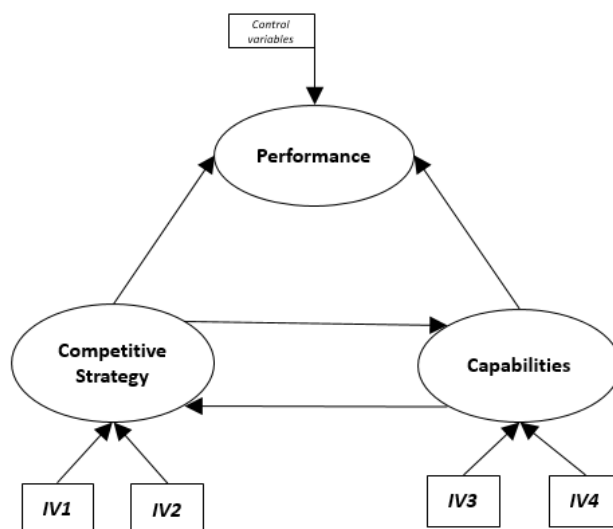


Figure 3: No Recursive structural Model with instrumental variables.

Table. 1 Percentage of responses by country

Country	Sent messages	n° forwards	Incomplete answers	Complete responses	Respuestas totales	% Total answers	% Complete answers	% Answers to sent messages
Brasil	461	4	9	42	51	19	21	11
Chile	400	4	16	23	39	15	11	10
Mexico	2800	4	9	91	100	38	45	4
Peru	650	4	27	45	72	27	22	11
Total	4311	16	61	201	262	100	100	6

Source: Own Elaboration

Table 2. Business characteristics of the sample.

Characteristics	Peru	Chile	Mexico	Brasil
Industries				
Agricultural sector companies / fishing	40	22	15	5
Service sector companies	0	22	11	55
Manufacturing Sector Companies nonperishable	29	43	45	26
Manufacturing Sector Companies perishables	31	13	29	14
Business type				
B2B companies in business	11	61	40	71
B2C companies in business	89	39	60	29
Export destination				

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Export companies to developed economies	82	65	80	55
Export companies to developing economies	18	35	20	45
Averages				
Average number of employees / company	238	747	319	89
(S.D)	640	2048	758	184
Average years of exporting experience / business	13	22	15	15
(S.D)	10	32	11	8

All values are percentages, except averages

S.D Standard deviation

Source: Own Elaboration

Table 3 Results of bias assessment no answers. A factor ANOVA

Variable control	Prob > F
Employees number	0.0944
Export experience	0.0298
Exported to South America	0.7578
Exported to Mexico and Central America	0.8289
Exported to Africa and the Middle East	0.5906
Exported to Canada and the US	0.1083
Exported to Western Europe	0.7627

Source: Own Elaboration

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Table 4: Convergent and discriminant validity for independent constructs

Constructs e Ítems	Convergent Validity			Discriminant Validity	
	Load Factor	AVE	CR	MSV	ASV
Diferentiation Strategy		0.54	0.77	0.52	0.36
Our firm is the first in marketing a new product	0.71				
Concerning the competition, our firm is always at the forefront of technological innovation	0.87				
Our organization differentiates from the competition by offering quality products	0.58				
Cost Strategy		0.38	0.63	0.45	0.30
Our organization emphasizes in the reduction of costs in all their business' activities	0.59				
Our organization invests mainly in big projects to achieve scale economies	0.77				
Our organization has a low prices strategy in comparison to our three main competitors	0.43				
Operational Capabilities		0.73	0.93	0.52	0.49
Marketing Capability	0.84	0.68	0.86		
Integration of Marketing Activities	0.89				
Abilities in segmentation and targeting markets	0.86				
Effective marketing and advertising programs	0.71				
IT Capability	0.85	0.86	0.95		
Use of Information Technologies to facilitate the cross-functional integration	0.96				
Use of Information Technologies to facilitate technology knowledge creation	0.94				
Use of Information Technologies to facilitate internal communication	0.88				
Technological Capability	0.88	0.76	0.90		
Manufacturing Process	0.91				
Technological Development Capabilities	0.89				
Production Facilities	0.81				
Management Capability	0.85	0.76	0.91		
Integrated Logistics System	0.81				
Cost Control Capabilities	0.95				
Financial Management Capabilities	0.85				
Strategic difussion Capability	0.86	0.88	0.96		
Middle-level managers' understanding on the way strategies benefit each division in the company	0.93				
Middle-level managers' commitment in the execution of the strategy	0.96				
Middle-level manager's assessment and feedback related to the results of the strategic implementation	0.93				
Marketing-Linking Capabilities		0.79	0.92	0.51	0.26
Capabilities to create and manage durable relationships with customers	0.89				
Capabilities to create and manage durable relationships with suppliers	0.88				
Abilities to retain customers	0.90				
Own Elaboration					

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Table 5: Convergent and discriminant validity for dependent constructs

Constructs e Ítems	Convergent Validity		Validez Discriminante		
	Load Factor	AVE	CR	MSV	ASV
Product Performance		0.81	0.93	0.27	0.24
Number of new successful products	0.89				
Speed of launching of new products to the market	0.94				
Product Innovation	0.86				
Financial Performance		0.67	0.86	0.27	0.24
Sales volume	0.76				
Strategic Positioning strenghtening	0.88				
Global Market Participation	0.81				
Customer		0.74	0.89	0.22	0.21
Satisfaction with the services and goods we provide	0.75				
Final Customer Fidelity	0.87				
Relationship with our suppliers	0.95				

Own Elaboration

Table 6: Recursive model: relationship between capabilities and strategies

Path analyzed: Capabilities to Strategy		β_{OLS}	Sig. ^{1a}
<i>Marketing Linking Capability</i>	--> <i>Differentiation</i>	-0.051	
<i>Operational Capability</i>	--> <i>Differentiation</i>	0.772	***
<i>Marketing Linking Capability</i>	--> <i>Costs Strategy</i>	-0.218	***
<i>Operational Capability</i>	--> <i>Costs Strategy</i>	0.757	***

^{1a} * p>0.10; ** p>0.05; p>0.01.

Table 7: Recursive model: relationship between capabilities/strategies and performance

Path analyzed: Capabilities, Strategy to Performance		β_{OLS}	Sig. ^{1a}
<i>Differentiation</i>	--> <i>Product Performance</i>	0.730	***
<i>Costs Strategy</i>	--> <i>Product Performance</i>	-0.195	
<i>Marketing Linking Capability</i>	--> <i>Product Performance</i>	0.005	
<i>Operational Capability</i>	--> <i>Product Performance</i>	0.099	
<i>Differentiation</i>	--> <i>Financial Performance</i>	0.553	***
<i>Costs Strategy</i>	--> <i>Financial Performance</i>	-0.218	
<i>Marketing Linking Capability</i>	--> <i>Financial Performance</i>	0.198	*
<i>Operational Capability</i>	--> <i>Financial Performance</i>	0.122	
<i>Differentiation</i>	--> <i>Customer Performance</i>	0.339	**
<i>Costs Strategy</i>	--> <i>Customer Performance</i>	-0.136	
<i>Marketing Linking Capability</i>	--> <i>Customer Performance</i>	0.342	***
<i>Operational Capability</i>	--> <i>Customer Performance</i>	0.277	

^{1a} * p>0.10; ** p>0.05; p>0.01.

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Table 8: Testing endogeneity for feedback variables

Test of Endogeneity ^{1a}				
		Distribution and df	Statistic	p-value
<i>Testing instruments to Operational Capability when influence</i>				
<i>Costs Strategy</i>				
	Durbin (score)	chi2(1)	22.09	0.00
	Wu-Hausman	F(1,197)	24.46	0.00
<i>Testing instruments to Operational Capability when influence</i>				
<i>Differentiation Strategy</i>				
	Durbin (score)	chi2(1)	42.02	0.00
	Wu-Hausman	F(1,197)	56.18	0.00
<i>Testing instruments to Marketing Linking Capability when influence</i>				
<i>Costs Strategy</i>				
	Durbin (score)	chi2(1)	44.38	0.00
	Wu-Hausman	F(1,197)	56.18	0.00
<i>Testing instruments to Marketing Linking Capability when influence</i>				
<i>Differentiation Strategy</i>				
	Durbin (score)	chi2(1)	33.86	0.00
	Wu-Hausman	F(1,197)	40.14	0.00
<i>Testing instruments to Costs Strategy when influence</i>				
<i>Operational Capability</i>				
	Durbin (score)	chi2(1)	101.26	0.00
	Wu-Hausman	F(1,197)	202.01	0.00
<i>Testing instruments to Costs Strategy when influence</i>				
<i>Marketing Linking Capability</i>				
	Durbin (score)	chi2(1)	77.87	0.00
	Wu-Hausman	F(1,197)	125.61	0.00
<i>Testing instruments to Differentiation Strategy when influence</i>				
<i>Operational Capability</i>				
	Durbin (score)	chi2(1)	87.87	0.00
	Wu-Hausman	F(1,197)	154.38	0.00
<i>Testing instruments to Differentiation Strategy when influence</i>				
<i>Marketing Linking Capability</i>				
	Durbin (score)	chi2(1)	63.04	0.00
	Wu-Hausman	F(1,197)	90.67	0.00

^{1a} Null hypothesis: variables are exogenous

Table 9: Testing instrumental relevance for feedback variables

<i>Test of Instrumental Relevance</i> ^{1a}	<i>F-statistic</i>	<i>p-value</i>
Testing instruments to Operational Capability when influence Costs Strategy	75.42	0.00
Testing instruments to Operational Capability when influence Differentiation Strategy	75.42	0.00
Testing instruments to Marketing Linking Capability when influence Costs Strategy	40.78	0.00
Testing instruments to Marketing Linking Capability when influence Differentiation Strategy	40.78	0.00
Testing instruments to Costs Strategy when influence Operational Capability	19.48	0.00
Testing instruments to Costs Strategy when influence Marketing Linking Capability	19.48	0.00
Testing instruments to Differentiation Strategy when influence Operational Capability	32.92	0.00
Testing instruments to Differentiation Strategy when influence Marketing Linking Capability	32.92	0.00

^{1a} Null hypothesis: Instruments are weak

Table 10: Results of nonrecursive model with instrumental variables-Feedback I

Path analyzed: Capabilities to Strategy			β_{IV}	Sig. ^{1a}
<i>Marketing Linking Capability</i>	-->	<i>Differentiation</i>	-1.10	***
<i>Operational Capability</i>	-->	<i>Differentiation</i>	1.87	***
<i>Marketing Linking Capability</i>	-->	<i>Costs Strategy</i>	0.49	
<i>Operational Capability</i>	-->	<i>Costs Strategy</i>	1.63	***

^{1a} * p>0.10; ** p>0.05; p>0.01.

Table 11: Results of nonrecursive model with instrumental variables-Feedback II

Path analyzed: Strategy to Capabilities			β_{IV}	Sig. ^{1a}
<i>Differentiation</i>	-->	<i>Marketing Linking Capability</i>	1.08	***
<i>Costs Strategy</i>	-->	<i>Marketing Linking Capability</i>	-1.27	***
<i>Differentiation</i>	-->	<i>Operational Capability</i>	-12.45	
<i>Costs Strategy</i>	-->	<i>Operational Capability</i>	-5.95	

^{1a} * p>0.10; ** p>0.05; p>0.001.

Tabla12: Results of nonrecursive model with instrumental variables, effects in performance

Path analyzed: Capabilities, Strategy to Performance			β_{IV}	Sig. ^{1a}
<i>Differentiation</i>	-->	<i>Product Performance</i>	0.76	***
<i>Costs Strategy</i>	-->	<i>Product Performance</i>	-0.18	
<i>Marketing Linking Capability</i>	-->	<i>Product Performance</i>	0.08	
<i>Operational Capability</i>	-->	<i>Product Performance</i>	0.00	
<i>Differentiation</i>	-->	<i>Financial Performance</i>	0.58	***
<i>Costs Strategy</i>	-->	<i>Financial Performance</i>	-0.24	*
<i>Marketing Linking Capability</i>	-->	<i>Financial Performance</i>	0.23	*
<i>Operational Capability</i>	-->	<i>Financial Performance</i>	0.04	
<i>Differentiation</i>	-->	<i>Customer Performance</i>	0.29	**
<i>Costs Strategy</i>	-->	<i>Customer Performance</i>	-0.12	
<i>Marketing Linking Capability</i>	-->	<i>Customer Performance</i>	0.33	***
<i>Operational Capability</i>	-->	<i>Customer Performance</i>	0.23	

^{1a} * p>0.10; ** p>0.05; p>0.001.