Strategy – performance relationships and the impact of globalisation drivers and firm preparedness in international markets

By

Abstract

Strategy development in globalizing markets has been extensively researched over the last two decades. The complex relationships in strategy formation including a multitude of both internal and external environmental factors make the study of strategy development an extremely elaborate endeavour. This paper investigates six dimensions of international marketing strategies of German, Norwegian and Singaporean exporting small and medium sized firms and how globalization drivers and preparedness for internationalisation in terms of market position of the firm moderate the impact of the international markets strategies on performance. We find that external drivers and market position both shape strategy development and moderate its effects on performance. In particular we find that a stepwise approach to international markets seems to pay off in multidomestic settings and when the firm has a weak market position, corroborating some of the teachings from the incremental internationalisation school of thought. Furthermore casting new light on the importance of aggressive approach to international market entry, we find that challenger strategies appear to be strongly related to performance whatever contingency.

Introduction

This paper studies the impact of globalising drivers and firm "preparedness" in terms of market position (Solberg 1997) on strategy development of firms. It also investigates the moderating effect of globalisation and firm preparedness on the strategy-performance relationship. Whereas the link between globalisation drivers and strategy has been studied by a number of researchers (see for instance Porter 1986, Yip 1995, Solberg 1997, Zou and Cavusgil 2002), their moderating effects on performance have been less in focus. Globalizing forces such as trade liberalisation, homogenisation of demand, global competition and increase in international mergers and acquisitions have been found to impact on strategy development of firms. The question then remains what aspects of external environment are critical in this analysis. Levitt (1983) suggested homogenization of demand and demand patterns to play a pivotal role in this context, opening up opportunities to standardization of marketing and economies of (global) scale, and maintained – without great evidence - that only firms that actively pursue a standardised approach to international markets will win in the long term. His article stirred proponents of localized marketing disputing the "blessings" of international standardization (Douglas and Wind 1987).

On the other hand, firm preparedness - in terms of resources - lies behind as a general assumption of success in international markets in most text books, but it has to our knowledge not been systematically studied as a direct influencer of different internationalisation strategies, nor as a moderating force on performance. Certainly, size has been used as proxy by many either as a control variable or as a factor directly impacting on performance, but with varying outcomes (Czinkota and Johnston 1982). Also, in a more detailed analysis, Xu, Cavusgil and White (2006) have shown that co-aligning strategy and internal resources and capabilities may lead to superior performance in international markets.

The link between international marketing strategy and performance has since the late 1980's been researched by several authors over (see for instance Samiee and Roth 1992, Szymanski et al 1993, Cauvusgil and Zou 1994, Zou and Cavusgil 2002, Lim, Acito and Rusetski 2006, Xu, Cavusgil and White 2006, Lages, Jap and Griffith 2007, Solberg and Durrieu 2006 and 2008). So far, however, there is little agreement on the impact of different strategies on performance. For instance, while Samiee and Roth (1992) found no correlation between standardization and a firms performance, Zou and Cavusgil (2002) found in a sample of US firms competing in global industries that global marketing strategy (GMS) impacts positively on financial and strategic performance, and moreover, that GMS is affected by external globalization drivers and internal factors such as international experience and dedication/global orientation of the firm. Solberg and Durrieu (2008) found that Porter's (1980) generic strategies have both a direct and an indirect impact through international marketing strategies on firm performance, and that the combined impact of the two levels yields better returns than either of them individually. Xu, Cavusgil and White (2006) found that fit among strategy, organisational structure and process is positively associated with performance, emphasizing the importance of implementation as a source of competitive advantage. Lim, Acito and Rusetski (2006) identify three archetypes of international marketers and link their performance to different subsidiary network configurations. In spite of the fact that the wealth of contributions to this literature is increasing, only a few have taken a contingency approach to the issue. A notable exception is provided by Xu, Cavusgil and White (2006) and Lim, Acito and Rusetski (2006), but these were studying mostly large firms.

In this paper, we use a sample of Singaporean, German and Norwegian small to medium sized firms to explore the relationships between strategies and performance, and the impact of globalisation drivers and preparedness in international markets. The paper is organized as follows: A brief literature review gives the background for the development of a structural model and hypotheses. The methodology is then described and the results presented followed by discussion and conclusions.

Literature review and hypotheses

The strategy concept is a complex research object and the content of strategy may take different forms and represent several dimensions. Hambrick (1984) plainly states that strategy is "an incredibly cluttered conceptual landscape" (p. 28). Porter (1980) identified three major strategies: cost leader, differentiation and focus strategies. His taxonomy has since constituted an important part of textbooks on strategy and partly also marketing. In spite of its popularity, Morrison (1989) claims that Porter`s generic strategies lack precision, and empirical evidence has challenged Porter's inductively developed framework (Cool and Schendel 1985, Dess and Davis 1980). However his taxonomy has been widely adopted both by practitioners and in academia. Solberg and Durrieu (2008) found that Porter`s strategic orientations condition internationalization strategies adopted by the firm.

A number of contributions have cast light on international *marketing* strategies. Zou and Cavusgil (2002) suggest three dimensions of what they named GMS, global marketing strategy: standardization, configuration and integration. Most authors have treated these three strategic components separately until Zou and Cavusgil conceptualized the GMS construct in 2002. Standardization vs. adaptation of the marketing mix is a hallmark of international marketing strategies and has been studied by a host of writers over the years. The problem of finding the right trade-off point between the necessities of local adaptation and the benefits of global economies of scale lies in the centre of the discussion (Levitt 1983, Bartlett and Ghoshal 1989).

Configuration and integration are the realm of international management research (rather than marketing), and has been the key area of attention for writers such as Doz et al (1990), Hamel and Prahalad (1986) Hedlund (1986), Porter (1986). The main issue here is partly to find governance structures that make such optimization possible. Lim, Acito and Rusetski (2006) identified three different archetypes of international marketing strategies: infrastructure minimalists, tactical coordinators and global marketers, each with different configurations of strategy components such as standardisation of different aspects of the marketing mix, value chain configuration, information sharing, decision making power distribution, degree of coordination etc. Accordingly each of them also has a "matching" subsidiary structure labelled "Local implementor", "World mandate" and "Specialised contributor".

Confronting the incremental school of internationalization (Johanson and Vahlne 1977, 1990) with the more recent studies on Born Globals (Oviatt and McDougall 1995, McDougall and Oviatt 1996, Knight and Cavusgil 1996, 2004, Madsen et al 2000, Gabrielsson et al 2008) another important strategic dimension emerges: that of pace of international involvement of the firm. This strategy component is getting increasingly relevant in view of the effects of globalization drivers, either forcing firms to rapidly establish foreign presence in order to pre-empt competitors to conquer important positions in key markets (Hamel and Prahalad 1986, Solberg 1997) or – on a more positive note - making such rapid international inroad possible. The degree of market spread (or its opposite, concentration) may be linked to the pace of internationalization, but is concerned with the geographical coverage rather than the temporal dimension.

Another key component of international marketing strategy is the entry mode strategy (Young et al 1987). The entry mode decision has received tremendous attention in international business research mostly from a TCE perspective (e.g. Buckley and Casson, 1976; 1985; Dunning, 1980; 1981; 1988; Anderson and Gatignon, 1986) since it determines many other variables of the international marketing effort such as monitoring and control, use of financial and managerial resources and financial risk (Solberg 2006). The entry mode decision depends on the trade-off between control, representing the benefit of integration and resource commitment, more specifically the cost of integration (Malhotra, Agarwal and Ulgado, 2003). TCE is criticized for being overly focused on the costs of the transaction versus the costs of internalization (Madhok, 1997). Although the approach appears to be especially effective in explaining vertical integration decisions (Erramilli and Rao, 1993), it neglects the concept of value creation. Therefore other explanations to entry mode strategies have been sought mostly based on the RBV string of literature.

Finally, another "family" of marketing strategies is that of Kotler and Keller (2006), who classify a number of strategies responses to competition: Market leader, market challenger, market follower, market niche player.

Summing up this brief discussion we suggest that four dimensions of international marketing strategy emerge: pace of internationalisation, competitive strategies (follower, challenger, cost leader, niche), marketing (standardisation, coordination), entry / operation mode. Although these dimensions originate from different disciplines within business research, they also share some common characteristics. For instance Porter's (1980) taxonomy is basically drawn from industrial organisation and strategic management, whereas the Kotler and Keller (2006) classification is derived from the marketing literature. However, the two overlap to some extent, Porter's cost leader firm often being positioned as KotlerandKeller's market leader, and his focus strategy having many similarities with their niche strategy. Based on this brief review we have selected a number of strategic postures that we deem critical for the international market development of the firm[1]:

- Cost leadership
- Challenger
- Follower
- Standardisation
- Stepwise internationalisation
- Strategic alliances

Each of these strategy components is thought to play a role in the performance creation of the firm. The underlying hypotheses are: 1) that international marketing strategies are driven by globalization drivers and the firm's preparedness for internationalisation, and 2) that these two drivers moderate the impact of international marketing strategies on firm performance. The latter hypothesis is consistent with the strategic fit literature, suggesting that a firm's efficiency is contingent on the fit between on one hand its organisational capabilities and resources (as expressed by the firm's market position), and on the other hand opportunities and threats in its environment (Andrews 1980; Schendel and Hoffer 1979). Strategic fit also implies that some strategies are better suited given certain organisational characteristics than other, as suggested in an international context by Xu, Cavusgil and White (2006) and Lim, Acito and Rusetski (2006). The framework in figure 1 wraps up our main hypotheses.

[1] These are the result of factor analysis of a large data set. We have had to reject some of the constructs from the confirmatory factor analysis, such as degree of integration or focus/differentiation strategies.

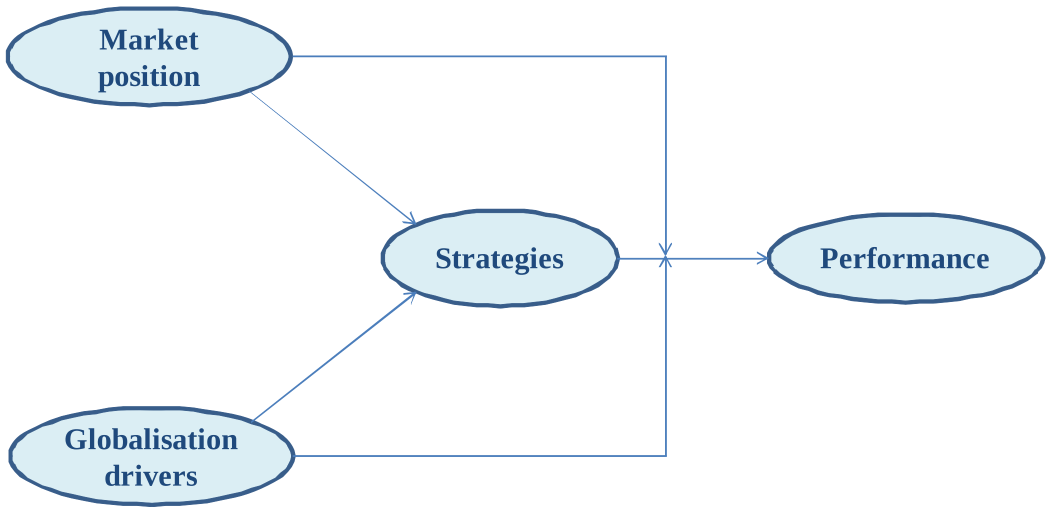


Figure 1: Framework of international marketing strategies and performance

The role of globalisation drivers

Effect on strategies

Easier access to foreign markets has been coined one of the most influential drivers in the globalisation process of world markets (Levitt 1983, Yip 1995, Solberg 1997). It is thought to have a direct influence on the trade flows (WTO, 2008). We will in the following discuss how this factor may influence strategy formation at the firm level. Levitt's premise in his 1983 article was that firms - stimulated by freer trade and by homogeneous demand patterns - would seek scale economies to develop cost advantages in an increasingly competitive environment. In the same vein, we would expect that access to larger markets through a liberalizing world trade framework would lead firms to seek scale advantages through standardisation of the marketing mix, espousing the mainstream literature on standardisation and adaptation of marketing. Furthermore it is reasonable to assume that firms take a gregarious stance towards market opportunities in a market setting with few trade barriers, both by adopting what we term challenger strategies (aggressive strategies to challenge the market leader), by pursuing a more rapid pace of international involvement, and by entering into strategic alliances. Moreover, cross border operations/mergers and acquisitions may be effective strategies to take advantage of the opportunities in globalising markets. Such strategies may create certain scale advantages (resulting in fewer players/larger entities or production sharing arrangements) and enable firms to access new markets before competition does. We assume that cross border mergers and acquisitions within an industry will lead other firms in the same industry to select similar strategies (Ohmae 1989). We therefore suggest that such mergers and acquisitions within an industry correlate positively with cost leader, differentiation, and alliance and proactive internationalization strategies of individual firms in that industry. Hence:

H1

Globalisation drivers (increased market accessibility through trade liberalisation and cross-national mergers / acquisitions) are positively associated with the following strategies: cost leadership, challenger and strategic alliances, and negatively with a stepwise approach to internationalisation.

Moderating effects on performance

Different dimensions of strategy have been shown to impact on firm performance in international markets (Szymanski et al 1993, Cavusgil and Zou 1994, Zou and Cavusgil 2002, Solberg and Durrieu 2006 and 2008). What then about the moderating effects of globalization drivers on performance of these strategy components? Trade liberalization, less regulation, and more homogenous demand pattern in international markets are assumed to benefit cost leaders that proactively seek to maintain/increase their scale advantages (Levitt 1983). We suggest that cost leadership strategies – because of their scale effects - are associated with a more standardised approach to international marketing. In an open and globalised market setting then, both cost leaders and market standardisers should benefit. On the other hand, firms that operate with a standardised marketing approach in a market context with high barriers to trade will be punished, because the barriers limit the presence of international competitors in national markets thereby maintaining a local competitive arena in which the 4 Ps (or variants thereof) have been allowed to evolve in isolation without much external (global) influence.

Therefore, we predict that global market access moderates positively the effect on performance of cost leader, follower, challenger, standardisation strategies and strategic alliances, and moderates negatively stepwise internationalisation strategies.

H2

The effect on firm performance of cost leader, follower, challenger, standardisation and alliance strategies are more positive in markets characterised by strong globalisation drivers than in markets where globalisation is less conspicuous. The effects of stepwise internationalisation strategies are reverse.

Market position

Effects on strategy

Market position was one of the main components of preparedness for internationalisation as defined by Solberg (1997). It was inspired by the PIMS[2] related literature (Buzell and Gale 1987), suggesting that relative market share is positively correlated to performance. The basic assumption then is that the higher the market share, the better equipped the firm. Also access to markets through the firm's distribution network (Johanson and Matsson 1986, Ghauri, Lutz and Tesfom 2003, Solberg and Durrieu 2006) may serve as an enabler in international markets, strengthening the firm's market position. The main contention here is that market position is positively associated with more proactive and globally oriented strategies such as standardisation, challenger strategies, alliances etc. since the resources following a comfortable market position enable the firm to engage more actively in international markets. For instance Solberg and Durrieu (2006) found that access to networks is positively associates with proactive internationalisation strategies, and negatively with for instance stepwise approach to international markets. We therefore posit that:

H3

Market position is positively associated with the following strategies: cost leadership, challenger, standardisation and strategic alliances, and negatively with stepwise internationalisation.

Moderating effects on performance

Whatever the impact on different components of strategy of the market position of the firm, it is conceivable that the effect of different strategies on *performance* in

[2] PIMS: Profit Impact of Market Strategy

international markets is moderated by precisely this very factor, market position. This is consistent with Xu, Cavusgil and White (2006) who found that strategy - structure co-alignment leads to superior performance in international markets.

H4

The effect on firm performance of cost leader, follower, challenger, standardisation and alliance strategies are more positive in firms characterised by superior market position than in firms with low market position. The effects of stepwise internationalisation strategies are reverse.

Methodology

Sample

Small and medium sized firms in Germany, Norway and Singapore were randomly sampled from different industry directories[3], in a first step recruited on the telephone and then mailed. The total sample consists of 378 firms (Germany 73, Norway 113 and Singapore 192). The response rate after two follow up rounds in all three cases was around 7-8%. Although other studies obtain similar response rates, we deem this to be fairly low and our conclusions should therefore be treated with caution. The distribution of answers is shown in table 1. We observe that the samples consist of predominantly small and medium sized firms (less than 100 million Euros) and that the ratio of larger firms is somewhat higher in Singapore than in the other two countries.

*Table 1: Sample distribution (%) by country and sales**

Germany (N=73)		***Norway (N=113)***		***Singapore (N=214)***	
Sales Mill. Euro	%	Sales Mill. NOK	%	Sales Mill. SGD	%
→10	44	→20	13	→10	21
11-20	14	21-40	17	11-100	25
51-100	16	41-120	40	101-500	14
101→	6	120→	27	501→	21
Missing	10	Missing	-	Missing	20

* 1 Euro = ca. 0,16 NOK =ca. 0,5 SGD

[3] In Germany: Hoppenstedt Firmendatabase; in Norway, Kompass Norge; and in Singapore, Foreign Companies in Singapore.

Measurements

Tables 2 and 3 give the results of confirmatory factor analyses of internationalization strategies and performance in international markets. The measures are based on Solberg and Durrieu (2006 and 2008). Some of the constructs (niche and integration/entry mode) identified in the original factor analysis failed to yield satisfactory Cronbach alpha scores and were therefore excluded in the further analysis.

Globalisation drivers (table 4) are expressed by items indicating the degree of liberalisation in terms of reduction of trade barriers and increased use of standards over the last five years and by the degree of strategic alliances. These were initially thought to represent different constructs because they represent widely different – albeit interconnected - phenomena. However they persistently factored together in the same component and we decided to lump them together into the same construct. There are certainly a lot of different globalisation drivers other than these (for instance competitive structure, or convergence of demand patterns across countries, Solberg 1997, Yip 1995). However, these have been discarded in the present study as we deem they are result of all or part of the chosen items.

Market position is captured as the firm's share in major international markets relative to its main competitors. Measuring market share is wrought with problems – among others because it is difficult to ascertain what market, or part thereof, is being studied. Inspired by the strategic group literature (Hunt 1972, Caves and Porter 1977), Solberg (1997) introduced the term reference market, suggesting that market share and company relative strength had to be gauged against the competitive arena of its product. Therefore in a multidomestic setting (Porter 1986) the firm has normally as many reference markets as number of countries it is involved in. In a global market, the reference market is actually all markets combined, regardless where the firm is operating. The question is phrased so as to reflect this.

Results

In order to define the unidimensional character of the different constructs used in this article we performed an Exploratory Factor Analysis (maximum likelihood) with Varimax rotation, achieving a preliminary test of construct reliability with Cronbach α. We do this in four steps: strategies (table 2), performance (table 3), globalisation drivers (table 4), and market position (table 5).

Table 2: Matrix structure - international marketing strategies

	Factor						
	Alliance	Follower	Stepwise	Challenge	Cost leader	Standard	Focus
Strategic alliances to complete own competence	,803						
Alliances are an essential part of our strategy	,776						
Co-operation to meet global market challenges	,557						
We observe the market leader to modify NPD		,914					
We monitor the market leader to imitate NPD		,677					
Market leader is a benchmark to improve our business model		,548					
Our international expansion is "slow and safe"			,824				
Our international involvement is "one step at a time"			,795				
Entering new markets we take a cautions approach			,620				
Aggressive competitive means to compete with the market leader in important international markets				,787			
We compete head-on-head with the market leader				,620			
When competitors challenge our market position we respond by increasing our promo activities				,615			
We have lower costs than our competitors					,809		
We are among the most cost efficient in the industry					,689		
We achieve considerable economies of scale					,573		
Our product are standardized across major markets						,739	
We adopt a standardized core product across all markets						,722	
Our customers have a special need which enables us to charge "above average price" for our products/services							,776
Our competence/products are so specialized that other competitors have difficulties to entering our niche							,656
Cronbach α	0,81	0,76	0,79	0,79	0,76	0,73	0,66

Seven strategies are identified representing 58.2% of the variance. The first dimension describes Alliance strategies, the second one Follower strategies, the third one Stepwise internationalisation strategies, the fourth one Challenger strategies, the fifth one Cost leader strategy, the sixth one Standardization strategy and the seventh one the Focus or niche strategy. Performance is defined by one dimension and represents 62,45% of variance. It describes strategic aspects of performance.

Table 3: Matrix structure - performance

	Factor 1
Our international operations have strengthened our strategic position	,851
Our international operations have significantly increased our international	,847
Our international operations have improved our international competitiveness	,831
Our international operations have generated a high volume of sales	,778
Our international operations have achieved rapid growth	,728
Our international operations have been very profitable	,693
Cronbach α	0,91

The globalization drivers construct is defined by one dimension representing 57,5% of variance. It seeks to capture the impact of trade liberalisation and industry integration through cross-national mergers and acquisitions, in other words the extent to which markets have become more (or less) intertwined over the last five years.

Table 4: Matrix structure – globalisation drivers

During the past 5 years trade liberalisation has had a great impact on our industry	,789
During the past 5 years regulatory impact of various governments have resulted in a high degree of joint standards	,762
Strategic alliances, partnerships and mergers and acquisitions across borders, have been a key feature within our industry the last five years	,722
Cronbach α	,62

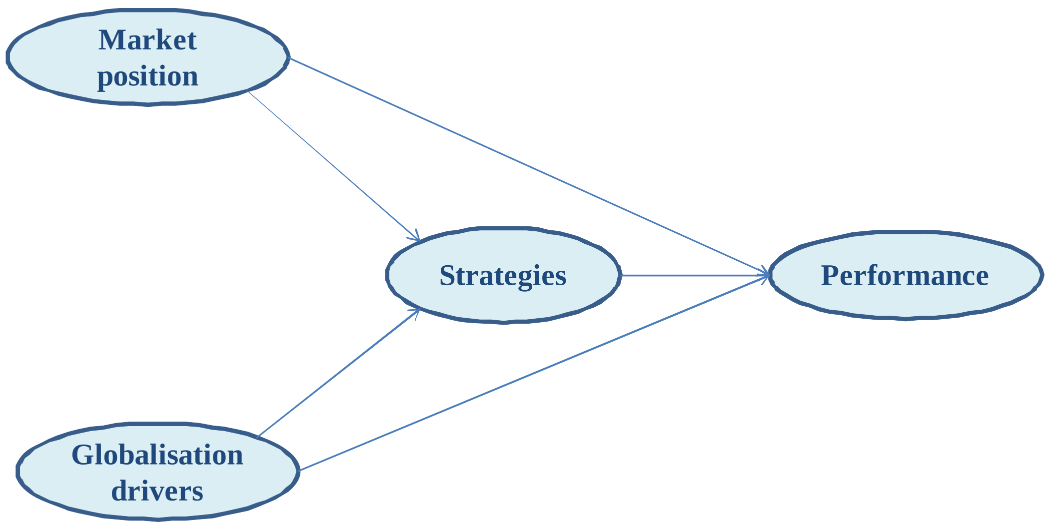
Market position denotes the extent to which the firm is well entrenched in the their main markets (see table 5). It is represented by one dimension corresponding to 76,4% of variance.

Table 5:Matrix structure – market position

	Factor 1
Company's market position for the main product categories	,874
Company's access to key customer segments	,874
Cronbach α	,69

We have then tested the model of the antecedent and consequence of international marketing strategies (figure 2) using EQS model (Bentler and Wu, 2002). With the aim of avoiding problems with multivariate normality, we applied ERLS (Bentler and Wu, 2002) that corrected fit index and the corrected coefficients of the model. We also validated the goodness of fit[4]. We tested three different models as shown in figure 2 and table 6 below.

Figure 2: A model of the antecedent and consequence of international marketing strategies



In Table 6, we present fit index of the three models. The analysis suggests that we choose model 3 (with the lowest Chi square score) that take into account both the direct and the indirect relations.

Table 6: Comparing direct and indirect models

	Chi2	Df	p	CFI	R²
Direct model	909,83	315	0,00	0,82	0,54
Indirect model	566,91	305	0,00	0,92	0,70
Indirect+direct model	556,84	303	0,00	0,92	0,64

The fit index and structural coefficient of model 3 are presented in Table 7 and figure 2. The model is well adjusted from empirical data and we present structural coefficient in Table 7.

[4] Some are founded on the adjustment function (Chi², GFI, AGFI and RMSEA). Others are calculated by comparison to a null model (NFI and CFI). With reference to the adjustment indices GFI, AGFI, NFI and CFI) their value should be near to 0.9 and, if possible, greater than 0.9. It is recommended to obtain a RMSEA of less than 0.5 in order to be acceptable.

Table 7: Fit index table

CHI²	556,84	P=0.000
Df	303	
GFI	0.88	
AGFI	0.85	
NFI	0,85	
NNFI	0.91	
SRMR	0,063	
RMSEA	0.05	

Table 9: A model of the antecedent and consequence of international marketing strategies

	Coefficient	T- value
Market position⇔globalization	0,44	3,59
Market position→cost leader	0,51	5,04
Market position→follower	NS	1,15
Market position→challenger	0,51	4,30
Market position→stepwise	NS	-1,85
Market position→alliance	NS	0,04
Market position→standardization	0,43	4,31
Market position→performance	0,59	3,77
Globalization→cost leader	NS	1,45
Globalization→follower	0,43	4,72
Globalization→challenger	0,39	3,6
Globalization→stepwise	0,31	3,7
Globalization→alliance	0,62	4,91
Globalization→standardization	0,44	4,32
Globalization→performance	NS	1,61
Cost leader→Performance	NS	0,651
Follower→Performance	-0,12	-1,98
Challenger→Performance	NS	1,54
Stepwise→Performance	NS	1,33
Alliance→Performance	NS	-1,61
Standardisation→Performance	NS	-1,05

Globalization is positively associated follower, challenger, alliance and standardization strategies but not negatively associated with stepwise strategy as suggested by H1, partly validating H1. Market position is positively associated with cost leadership, challenger and standardization but not with alliance strategies. Also market position is negatively associated with stepwise strategy, although not significantly. H3 is therefore partly supported.

In order to test the moderating effect of globalisation drivers on the model we have carried out a multi-group analysis. We use Chi-square difference between the model with equal parameters in each groups and the model with unequal parameters in each groups. If the difference is significant (Chi^2 195.42, df. 138), thus validating the moderating effect. All the indicators (Chi^2 1023.64 p=0.000, GFI 0.79, AGFI 0.72, NFI 0.72. NNFI 0.86, SRMR 0.08 and RMSEA 0.045) respect partially their criteria of validity.

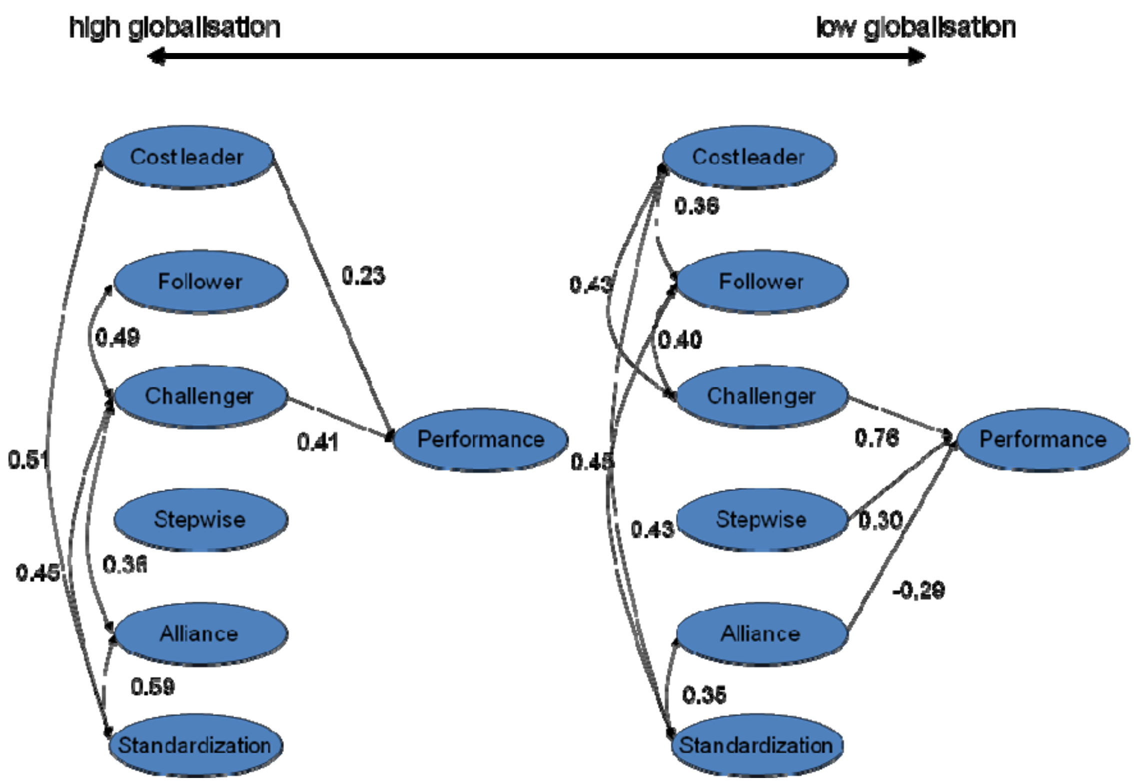


Figure 3: Moderating effects of globalisation drivers

We may conclude that H2 is partially supported. In particular cost leadership and challenger strategies are significantly related to performance when globalisation drivers are strong. Stepwise internationalisation yields good results in a multilocal setting, whereas strategic alliances appear counterproductive in this setting. On the other hand, challenger strategies seem to produce good results in global (as hypothesised) *as well as* multilocal environments (in contradiction to H2).

Turning to the moderating effect of market position on the model we follow a similar procedure. The Chi-square difference between the two models is significant (Chi² 243.18, df. 138). All the indicators (Chi² 980.57 p=0.000, GFI 0.79, AGFI 0.73, NFI 0.70. NNFI 0.86, SRMR 0.09 and RMSEA 0.043) respect partially their criteria of validity.

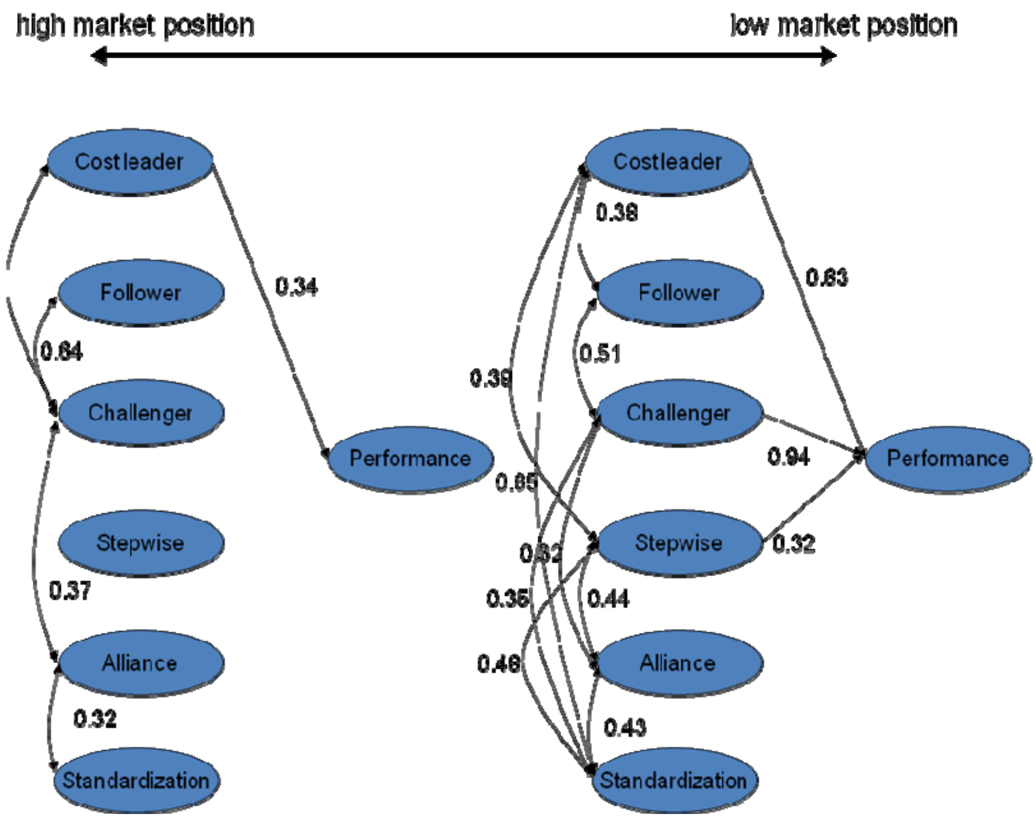


Figure 4: Moderating effects of market position

We conclude that H4 is poorly supported. Even though cost leadership strategies are significantly related to performance when the market position is strong (in support of H4), the other strategies are not related to performance in this setting. Furthermore stepwise internationalisation yields good results in a multilocal setting, as expected, but so do also cost leadership and challenger strategies, contrary to our expectations.

Discussion

This paper explores the effects of globalisation drivers and preparedness for internationalisation on strategies and performance. We have in particular focused on the effects on four classes of strategy components such as pace of internationalisation, competitive strategies (follower, challenger, cost leader), marketing (product standardisation), entry mode (strategic alliances).

It appears that globalization drivers (defined as trade liberalisation and industry wide alliances) affect all four classes of strategy components. However, and surprisingly, *cost leadership* strategy (competitive strategy) is not *directly* affected in our study. This is contrary to the expectations of Levitt (1983), who suggests that globalisation is one of the main drivers of economies of scale. On the other hand these drivers are significantly related to marketing standardisation which in turn is strongly linked to economies of scale. Thus we suggest that the effects on cost leadership strategies of globalisation drivers are indirect through a standardised marketing mix. We also notice that cost leadership (but *not* standardisation) and challenger strategies are particularly conducive to performance in "global contexts" – i.e. when globalisation drivers are strong, whereas cost leadership is less warranted in more locally oriented markets. None of the other strategies yield any specific benefits relative to performance in strongly globalised markets.

In a multilocal market setting where trade liberalisation is less conspicuous, we observe that both challenger strategies and a stepwise approach to international markets are positively related with our performance measure. The positive correlation between stepwise approach and performance in this setting warrants some comments. Solberg and Durrieu (2008) found that stepwise internationalisation was negatively related to performance in a sample of British exporters. However their study did not analyse the external context in which the strategies were carried out. In the present study, we find that this relationship is valid in a setting where globalisation drivers are weak or non-existent. This is also the setting in which contributors to the incremental internationalisation school of thought (Johansson and Vahlne 1977, Bilkey and Tear 1979, Luostarinen 1979, Cavusgil 1980) carried out their research, and leads us to conclude that a process of incremental internationalisation is relevant in multidomestic settings.

On the other hand, it may be seen as a paradox that challenger strategies are driven by globalisation, while at the same time they have a positive impact on performance *also in multilocal* markets. One possible interpretation is as follows: firms that adopt a challenger strategy in such contexts do so at a great advantage (beta=.76). When they do this in a "one-at-a-time" manner as suggested by stepwise internationalisation (which also is significantly linked to performance), it is conceivable that challenger strategies be carried out in each market individually, even though it is not primarily driven by globalisation forces. Furthermore, cross border strategic alliances are negatively related to performance in the absence of globalisation drivers, suggesting that firms should pursue other alternatives to market entry in a multilocal market setting.

Concerning the effects of preparedness for internationalisation we find that market position has a direct influence on four of the strategy components representing three different dimensions of strategy. Firstly two competitive strategies – cost leadership and challenger – are positively impacted by the firm's market position, supporting the idea of strength being necessary to carry out assertive strategies in international markets. Also market position is positively related to standardisation, strengthening the proposition that market leaders are in a better position to define the "rules of the game" in the industry, in setting the standard through their offering, also in international markets. On the other hand, standardised marketing does not seem to impact performance not even when globalising drivers are strong. This is contradicting Zou and Cavusgil (2002) who find that global marketing strategy (including a standardised approach to marketing) is positively related to performance. The firms in their sample were however large global firms; the present study explore strategies of mainly small to medium sized enterprises (SME). But also Solberg (2002) finds in a sample of Norwegian firms (SMEs) that standardised communication mix pays off also for this group of firms. These seemingly contradictory results suggest that the standardisation / adaptation issue is a particularly problematic and multifaceted field of study, and that it is virtually impossible to unambiguously fathom all the contingencies in which firms carry out their international marketing. Yet, in a cross national study one would expect that the larger number representing a diversity of situations some pattern would crystallise. This is obviously a field of study that begs for more research. We argue that one major problem – and thereby also one of the main reasons for the contradictory findings - lies in the fact that the issue of standardisation / adaptation in international markets has been approached by different researchers in different ways, using a number of different measures to capture the phenomena under study. A first step could be to define the constructs at different strategic levels (see for instance van Raiij 1997).

In firms with strong market positions only cost leader strategies appear to yield good rewards, whereas a more diversified repertoire of strategies – stepwise internationalisation, challenger and cost leadership strategies - seem to pay off for firms with a more marginal market positions. We note that stepwise internationalisation is positively associated with performance in this context, giving credence to the incremental school of internationalisation (Johansson and Vahlne 1977, Bilkey and Tesar 1979, Cavusgil 1980). Also – and perhaps more surprisingly – we find that challenger and cost leader strategies are conspicuously related to performance when firms have a weak market position. The normative conclusion is here that - in spite of the inferior market position - firms should not shy away from aggressively attacking their competitors. They should do so when they have a cost leadership position and in one market at a time (stepwise approach). We construe that firms with a marginal market share need a broader spectrum of strategies to develop their position, whereas firms with a higher market share should defend their position by securing their cost leadership.

We also observe that challenger strategies are conspicuously present in our findings, both as a dependent variable (spurred by globalisation drivers and preparedness) and as an independent variable explaining performance of firms. This is an apparent indication that in normative parlance "it pays off to be aggressive", to meet competitors and to challenge them in their home turf.

Conclusions

We conclude this discussion by asserting that the complexity of strategic choice in international markets – compounded by the challenges posed by globalization drivers – makes the study of strategic behaviour in globalising markets an extremely difficult endeavour. The many contingencies – yet unexplored - and the difficulty of unambiguously defining and operationalising relevant constructs make the task demanding. This makes the field of study a fertile ground for further exploration, both through quantitative research trying to identify "the laws of strategic choice" in international markets, but also through exploratory studies to weed out the intricacies of strategy development in globalizing markets. The present study is a cross-sectional one with all the flaws that might lie therein, concerning cause and effect over time. We therefore need much more longitudinal studies. The challenges of collecting data from a panel over several years make this task even more tantalizing.

References

Anderson, E./Gatignon , H., Models of foreign entry: A transaction cost analysis and propositions, *Journal of International Business Studies*, 17, 1986 (3), pp. 1-26.

Bartlett, C. A. and S. Ghoshal, *managing Across Borders: The Transnational Solution*, Harvard Business School press, Boston, Mass 1989.

Benito, G. R. G./ Welch, L. S., Foreign Market Servicing: Beyond Choice of Entry Mode, *Journal of International marketing*, 2, 1993, NO 2. 7-27.

Bentler P.M. / Wu E.J.C., EQS6 for windows User's guide, Encino, CA: Multivariate Software Inc., 2002.

Bilkey, W.J. and G. Tesar. 1977. "The Export Behaviour of Smaller Wisconsin Manufacturing Firms." *Journal of International Business Studies,* 9: Spring/Summer.

Cavusgil, S.T. 1980. "On the Internationalization Process of Firms." *European Research*, 8(Nov): 273-281.

Cavusgil, S. T. and Zou, S., "Marketing Strategy-Performance Relationship: An Investigation of the Empirical Link in Export Market Ventures", *Journal of Marketing*, 58, 1, 1994, pp1-21.

Caves, R.E. and Porter, ME 1997. From entry barriers to mobility barriers: Conjectural decisions and contrived deterrence to new competition. *Quarterly Journal of Economics*,pp.241-261.

Cool, K.O. and D.E. Schendel. Patterns of competition, strategic group formation and performance: the case of the US pharmaceutical industry 1963-82. Working paper 85/26, INSEAD, 1985

Craig, C. S. and Douglas, S. P., “Configural Advantage in Global Markets”, *Journal of International Marketing*, 8 1, 2000, pp 6-25.

Czinkota and Johnston 1982

Day, G.,”The Capabilities of Market –Driven Organizations”, *Journal of Marketing*, 58 (4), pp 37-52.

Dess, G. and P. Davis. Porter`s (1980) generic strategies as determinants of strategic groups membership and organizational performance. *Academy of Management Journal*, 27,1984.

Douglas, Susan P. and Yoram Wind. “The Myth of Globalization,” *Colombia Journal of world business*, 22 (Winter), 1987, pp. 19-27.

Doz, Y.; C. K. Prahalad and G. Hamel, “Control, Chance and Flexibility: the Dilemma of Transnational Collaboration”, in Bartlett, Doz and Hedlund (eds), *managing the Global Firm*, Routledge 1990.

Gabrielsson, M., V.H.M. Kirpalani, P. Dimitratos, C.A. Solberg, and A. Zucchella. 2008. “Born globals: Propositions to help advance theory.” *International Business Review,* 17(4): 385-401.

Ghauri, Pervez, Clemens Lutz and Goitom Tesfom 2003 Using networks to solve export-marketing problems of small- and medium-sized firms from developing countries. *European Journal of Marketing*, 2003, Vol. 37 Issue 5/6, p728-752,

Hambrick, D. C. (1983), Some tests of the effectiveness and functional attributes of Miles and Snow’s strategic types. *Academy of Management Journal,* 26, 5-26.

Hamel, G. and C.K. Prahalad, ”Do You Really Have a Global Strategy?”, *Harvard Businesss Review*, July- Aug 1986.

Hedlund, G., The Hypermodern MNC – A Heterarchy?", *Human Resource Management*, Spring 1996.

Johanson, Jan and Lars Gunnar Matsson. International marketing and internationalization process: a network approach. In P. Turnbull and S. J. Paliwoda (eds), *Research in international marketing,* Croom Helm, London, 1986.

Johanson, J. and Vahlne, J. E., The Internationalisation Process of the Firm – A Model of Knowledge Development and increasing Foreign Market Commitments, *Journal f International Business Studies*, 8, 1977 (1), pp. 23-32.

Johanson, J. and Vahlne, J. E., The Mechanism of Internationalisation, *International Marketing Review*, 7, 1990 (4), pp. 11-24.

Knight, G. and Cavusgil, S.T. 1996. The born global: A challenge to traditional internationalization theory. *Advances in International Marketing*, Greenwich, Vol. 8, pp. 11-26.

Kotler, P. and K. L. Keller, *Marketing Management 12e*, Pearson Prentice Hall, Upper Saddle River, New Jersey 2006.

Lages, Luis Filipe; Jap, Sandy D.; Griffith, David A. (2008), The role of past performance in export ventures: a short-term reactive approach. *Journal of International Business Studies*, March, Vol. 39 Issue 2, p 304-325.

Levitt, T., "The Globalization of Markets", Harvard Business Review 1983.

Lim, Lewis K. S., Frank Acito and Alexander Rusetski, Development of archetypes of international marketing strategy, *Journal of International Business Studies,* July 2006, Vol. 37 Issue 4, p. 499-524.

Madsen, T. K., Rasmussen, E and Servais, P. 2000. Differences and Similarities between Born Globals and other Types of Exporters. *Advances in International Marketing*, Vol.10, pp. 247-265.

McDougall, P.P, and Oviatt, B.M. 1996. New Venture Internationalization, Strategic Change and Performance: A Follow-Up Study. *Journal of Business Venturing*, Jan., Vol. 11, Iss. 1,pp. 23-42.

Morrison, A. J. *US Business Level Strategies in Global Industries*, PhD dissertation, University of South Carolina, 1989.

Ohmae, K. "The Global Logic of Strategic Alliances", *Harvard Business Review*, Mars-April 1989.

Oviatt, Benjamin M. and Patricia Phillips McDougall, "Global Start-Ups: Entrepreneurs on a Worldwide Stage, " Vol9, Issue 2, *Academy of management Executive*, 1995.

Oviatt, B. M. And McDougall, P. P., "A framework for understanding Accelerated international entrepreneurship, " in A. M. Rugman and R. W. Wright (Eds.) *Research in Global Strategic Management, Vol. 7, Stamford, CT:*JAI Press, 1999, 23-40.

Özomer, Aysegül and Gregory E. Prussia, "Competing Perspectives in International Marketing Strategy: Contingency and Process Models", *Journal of International Marketing*, Vol. 8, NO. 1, 2000, pp. 27-50.

Porter, M. E. "*Competitive Strategy"*, The Free press, New York, NY 1980.

Porter, M. E. "*Competitive Advantage"*, The free Press, New York, NY 1985.

Porter, M. E., (ed.) "*Competition in Global Industries"*, Harvard Business School-Press, Boston, Mass 1986.

Samiee S. and Roth, K., "The Influence of Global Marketing Standardization on Performance", *Journal of Marketing*, 56 (2), pp 1-17.

Solberg, C. A. and Vidar Askeland, The relevance of internationalization theories: a contingency framework. In Fai, Felicia and Eleanore Morgan (eds), *Managerial Issues in International Business*, 2006, 9-32.

Solberg, C. A., "A Framework for Analysis of Strategy Development in Globalizing Markets, *Journal of International marketing*, 5, 1, 1997, pp 9-30

Solberg, C. A. and Durrieu F., "Access to Networks and Commitment to Internationalisation as Precursors to Marketing Strategies in international Markets", *Management International Review*, Vol. 46, 2006a, No 1, 57-83.

Solberg, C. A. and Durrieu F., "Strategy development in international markets: a two tier approach", *International Marketing Review*. Vol. 25, No. 5, 2008, 520-43.

Szymanski, David, Sundar G. Bharadwaj, and P. Rajan Varadarajan. Standardization versus adaptation of international marketing strategy: an empirical investigation. *Journal of Marketing*. 57, 1993, (3), 1-18.

Vekatraman N., and Prescott, J. E., "Environment-Strategy Coalignment: An Emperical Test of Its performance Implications", *Strategic Management Journal*, 11 (1), pp 1-23.

World Trade Organization, *World Trade Report 2008.* WTO, Geneva, Switzerland, 2008.

Xu, Shichun, S. Tamer Cavusgil, and J. Chris White, "The Impact of Strategic Fit Among Strategy, Structure, and Processes on Multinational Corporation Performance: A Multimethod Assessment", *Journal of International Marketing*, Vol. 14, NO. 2, 2006, pp. 1-31.

Yip, G. S., "*Total Global Strategy: Managing for Worldwide Competitive Advantage.* Engelwood Cliffs: Prentice Hall 1995.

Zou, S. and Cavusgil, S. T., “Global Strategy: A Review and an Integrated Framework”, *European Journal of Marketing*, 30 1, 1996, pp 52-70.

Zou, S. and Cavusgil, S. T.,” The GMS: A Broad Conceptualization of Global Marketing Strategy and Its Effect on Firm Performance”, *Journal of Marketing,* 66, 2002,pp.40-56.