Internationalisation strategies and industry structure

Abstract

The paper studies the moderating effect of industry structure on strategy-performance relationships in international markets. Despite a considerable amount of studies on strategy - performance relationships in international markets, there is no general agreement on the topic. We argue that a contingency approach needs to be taken, and that industry structure is one important factor not yet analysed. Studying 296 SMEs from Germany, Norway and Singapore, we find that industry structure indeed matters. The general picture is that cautious internationalisation strategies are more effective in fragmented industries than in concentrated industries. Also, with somewhat more nuance, global marketing strategies – such as standardisation, integration - seem by and large to be more effective in concentrated industries than in fragmented industries.

Internationalisation strategies and industry structure

1. INTRODUCTION

Since the turn of the century a number of studies have explored the underlying mechanisms of international marketing strategy→performance relationship from different perspectives (Zou and Cavusgil's 2002, Xu, Cavusgil and White 2006, Lim, Acito and Rusetski 2006, Solberg and Durrieu 2006, 2008 and 2015, Lages, Jap and Griffith 2007, Schilke, Reimann and Thomas 2009). However, diverting and sometimes conflicting results suggest that research on international marketing strategy still has some way to go. For instance Zou and Cavusgil 2002 found that global market strategies (GMS) are positively related to strategic and financial performance in a sample of US global firms. Xu et al (2006) found that fit among strategy, organisational structure and process is positively associated with performance. Schilke et al (2009) found that the standardisation-performance link is significantly stronger in larger firms with a homogenous product offering, higher market penetration, and cost leadership and coordination advantages. Solberg and Durrieu (2015) find that globalisation drivers, such as trade liberalisation, converging regulatory standards and consumer patterns, moderate the effect of internationalisation strategies.

The present study investigates the role of industry structure in this context. More specifically, we explore how different industry structures fashion the international marketing strategy →performance relationships. We claim that the effects of this contingency are vital to understand, and to take into account, when devising strategic levers in international markets. Also from a theoretical viewpoint, we believe that the insights provided by this study will – if not eliminate – then at least help clarify some of the uncertainties surrounding the contradictory results referred to above. Early contributions to the industry structure/strategy effects literature find that "Industry Matters" (Rumelt 1991; McGahan and Porter 1997). These studies investigate industries in terms of types of industry, rather than industry structure. Geiger, Ritchie and Marlin (2006) found that industry concentration moderates the relationship between fit and performance, so that strategy/structure fit is more important for firms operating in concentrated industries. To our knowledge, the effects of industry structure have never

been studied before in an international setting. We do this in a sample of German, Norwegian and Singaporean exporting small and medium sized firms. These three countries are all well developed and industrialised (ranging on top 10-15 in World economic Forum's competitiveness report), but at the same time differ in terms of size, region, culture and industry base, suggesting that conclusions may have a more general reach than in a single country study. In spite of these differences between the three countries we find that in terms of our measure of industry structure, there is no significant difference (Levene 0,586, p=0,557, F=2,303, p=0,102).

The theoretical premise is drawn from industrial organisation and its concept of structure→conduct→performance (S-C-P), later supplemented by Caves and Porter (1977) initiating an extensive literature on strategic groups. Porter's (1980) generic strategies spurred a stream of research on strategy-performance relationships. We depart from this string of research by analysing the performance impact of a set of *internationalisation strategies* given different levels of industry structure, exploring Solberg and Durrieu's (2015) four different internationalisation strategies: pace of internationalisation, degree of standardisation, integration and strategic alliances. The paper is structured as follows: a brief presentation of the theoretical platform end up in our main proposition: industry structure moderates performance effects of a number of internationalisation strategies. We then present our research methodology, and present and discuss the results of our analyses, before concluding and discussing implications.

1. THEORETICAL PLATFORM AND HYPOTHESES

The traditional S-C-P paradigm claims that industry structure conditions the strategy of players in the industry, which in turn affects performance. Porter's (1980) five forces model of "power game" within an industry – threat of new entrants/entry barriers, industry rivalry, power of buyers and suppliers, threats of substitutes - helps single out those factors that matter in the strategy analysis. Two of these forces – rivalry and buyer power – are the focus of our paper. We deem that these are most relevant for formulating the firm's *marketing* strategy. Economists traditionally measure rivalry by degree of concentration. A large number of players in an industry implies harsher competition, lower prices and eventually lower performance because numerous firms compete for the

same customers (and resources). On the other hand, industry concentration fosters collusion and hence monopoly pricing. In addition, fewer and larger firms take advantage of scale economies. The hypothesis is therefore that profits are higher in concentrated industries with few players than in fragmented industries (Spanos et al 2003). How do these different industry structures affect different aspects of international marketing strategy other than price? We do not know, but our main claim is that it has a significant impact. We explore the performance effects of four internationalisation strategies grouped into two classes:

2.1 Pace of internationalisation

This group of strategy refers to how fast a firm enters international markets, both in terms of sales revenue, geographic spread and financial commitment. The traditional view has been that international market involvement happens in stages – from a cautious approach to neighbouring markets to (with time and accumulated experience) a more gregarious stance to global markets. Through the different stages, the firm undergoes a learning process leading to higher commitment to international markets (Johansson and Vahlne 1977, 1990). Over the last two decades, a growing number of researchers have shown how many new ventures have leapfrogged these stages and entered, global markets more vigorously – so-called Born Global firms (Oviatt and McDougall 1994, Knight and Cavusgil 1996, Madsen et al 2000, Gabrielsson et al 2008). This has been possible given concentration of markets and technological advances.

In markets with a large number of actors, we posit that a step-by-step approach will yield better results than in markets with few actors. The argument is that in concentrated industries - where players jostle for market share exploiting scale advantages and / or differentiation advantages – firms need to take an aggressive stance to internationalisation in order not to be overrun by large competitors with aggressive retaliatory tactics (Hamel and Prahalad 1986). In crowded and fragmented markets, it is possible to expand internationally by slowly "sneaking oneself unnoticed" into individual markets (Solberg 1997). Hence:

H1: Cautious internationalisation strategies are more effective in industries with many actors than in industries with few actors.

2.2 International marketing strategies

This group of strategies consists of a number of components that in part are interdependent (Zou and Cavusgil 2002, Solberg and Durrieu 2015). In this paper, we focus on standardisation of the marketing mix (and more specifically the product) and two modes of operation: integration and strategic alliances.

Zou and Cavusgil's (2002) global marketing strategies (GMS) consisting of standardisation, integration and configuration typifies the ultimate stage of global approach to international markets. We conjecture that performance outcomes of this class of strategies are superior in industries with few competitors compared to fragmented industries with many actors. The line of reasoning is here that internationally operating firms that meet a concentrated industry structure are more exposed than others to globalisation forces, and are also themselves a factor that drives globalisation (Levitt 1983). Even though globalisation of markets is not the same as oligopolisation of industry structure (Ghemawat and Ghadar 2006), we believe that the process of globalisation leads to a more concentrated industry. Indeed, Krugman's and Obstfeld's (2000) analysis of increasing number of industry players as borders vanish, makes the case of a more dispersed or fragmented industry structure in the wake of globalisation. On the other hand, mergers and acquisitions among competitors – both domestic and across borders - as well as casualties of firms as a result of concentration and increased international competition reduce the number of players in an industry. In addition, the situation may greatly vary from one geographic region to another. Furthermore, competitive concentration in Ghemawat and Ghadar's (2006) study does not consider the existence of strategic groups (Caves and Porter 1977). The confines of an industry is indeed difficult to establish and make the analysis of individual industry sectors if not arbitrary, so at least difficult. Although Ghemawat and Ghadar (2006) question the cor-relation between globalisation and industry concentration, the integration of markets makes industry players more interdependent. In particular, firms operating in industries with a handful major players that are globally active are exposed to what we may term "oligopolistic global strategies". Hamel and Prahalad's (1986) discussion of global industry rivalry in oligopolistic markets where retaliatory counterattacks to competitor

offensive is part of the game epitomises our case. This, we believe, have consequences on strategic choices of firms. We develop below our hypotheses concerning three distinct strategic issues in international marketing: standardisation/adaptation, integration of sales and marketing, and strategic alliances.

Levitt (1983) argued that only firms that take advantage of economies of scale through standardisation of production and marketing, and leverage these advantages across countries win out in the global market place. Doing so they also represent a driving force in shelling off smaller firms that are active only in local markets, outcompeting them on price, distribution and quality. However, he did not put forward any evidence other than occasional anecdotes, and a number of researchers (Douglas and Wind 1988; Boddewyn, Soehl and Picard 1986) have challenged his position. Research on standardisation / adaptation of the marketing mix in international markets is in fact replete with contradictory findings (for a review, see for instance Schilke, Reimann and Thomas 2009; Schmidt and Kotulla 2011; Brei et al. 2011) and it is not straightforward to find any clear-cut answers to the conundrum. Agrawal (1995) concludes in his review that academics tend towards adaptation, whereas practitioners emphasise factors that favour standardisation. Most researchers now convene that a contingency approach is the most appropriate, implying that parts of the marketing mix should be adapted and other parts more standardised (Walters, 1986; Rau and Preble, 1987; Jain, 1989). Van Raiij (1997) suggests that marketing communication be divided into four components (mission, communication platform, concept and execution) – where each component can be more or less standardised across markets. Solberg (2000 and 2002) links the standardisation issue to organisational factors such as locus of decision power (HQ/local sales rep) and market insight at HQ. He found that market insight positively correlates with standardisation of advertising. Solberg and Durrieu (2015) find that product standardisation yields better rewards in globalised markets than in multi-local markets.
Porter and Takeuchi (1986) suggest a model that helps analyse how the product mix can be rationalised across countries, suggesting that firms shave off variants that do not overlap a core product mix offering that covers the marketing program in key markets. Such rationalisation should then lead to improved scale economies that are more conspicuous in oligopolistic industries (Scherer 1990). Given Levitt's premise of

globalisation→oligopolisation, and Solberg and Durrieu's (2015) findings referred to above, we suggest that product standardisation yields better results in settings with few than with many market actors. Hence:

H2: Standardisation is more effective in industries with few actors than in industries with many actors.

Welch, Benito and Pedersen (2007) define operation mode as the way firms operate (produce, market, sell) in international markets, be it through different independent governance modes (agents, distributors, licensees etc.) or internalised either wholly owned or in some form of joint venture or strategic alliance. Anderson and Gatignon (1986) claim that independent agents or distributors are the default mode since the cost of setting up a subsidiary is both onerous and involves operational risks when the firm enters into unchartered waters.

There are two main mechanisms at play here – scale economies and strategic control. Regarding the former, Hubbard (2004, p. 204) claims, "the presence of large scale economies implies that industries will be concentrated". We turn this argument around and suggest that integration of sales and marketing in international markets is more effective in industries with few compared to those with many market players, because it entails scale economies and lower transaction costs (Anderson and Gatignon 1988).

Control may be exercised in two ways: 1) ownership or hierarchical control (Anderson and Gatignon 1986) and 2) relational control (Bello and Gilliland 1997, Zhang et al 2003, Bello et al 2003, Solberg 2006). Although differences exist between integrated and independent modes of operation, there are also some similarities: they are both part of a marketing and sales system to promote the exporter's products and services, and they are both located abroad conferring on them expert power that may lead to information asymmetry (French & Raven, 1959; Sharma, 1997). However, the contract power of the exporter in an independent relationship does not match the possibility of the principal in the integrated operation to exert both coercive and legitimate power (French & Raven, 1959). This challenge is aggravated by the fact that the independent distributor is typically the stronger part in an exporter-middleman relationship (Leonidou 1989). Furthermore, Jaworski (1988) find that organisational structure (like for instance vertical integration) is an additional control mechanism in that it ''directs influences and shapes individual

and group behavior'' (p. 27). Solberg and Nes (2002) show that exporting through integrated modes gives better marketing control than exporting through independent modes of operation. However, they did not find support for the hypothesis that sales through subsidiaries yield better financial returns than through independent representatives. In addition, Solberg (2006) found in a sample of Norwegian exporters that clan (relational) control is more easily carried out through sales subsidiaries than through independent intermediaries. The question then remains whether industry concentration moderates the efficiency of the two control modes discussed above. We assume that the need to control local sales and marketing operations is greater in markets with few players than in fragmented markets. We argue that in the concentrated industry setting firms hold each other hostage to their respective positions in international markets (Hamel and Prahalad 1986). In order to be able to respond to competitive pressures in such contexts, firms need to control their local operations. Although this line of reasoning originally is developed for larger MNEs, we may find the same pattern in internationalised SMEs, especially since this class of companies often operate in narrow product niches in international markets where few dominating players feature market structure.

H3: Integration strategy is more effective in industries with few actors than in industries with many actors.

Solberg and Durrieu (2015, p. 166) define *Strategic alliances* as "an arrangement between two or more firms to join forces in carrying out a specific project while they at the same time remain independent for their other business operations". Strategic alliances may address a number of different strategic objectives such as for instance product standard setting, research and product development, marketing, manufacturing for a specific product or service and/or for a specific market. It may take different forms - equity investments or swaps, or just contractual arrangements. Financial performance generally being the ultimate objective of an SA, such collaborative arrangements often have other underlying motivations (Nielsen 2007) such as: capitalising on different resources and capabilities of the participating firms, countering competition by lining up with a major player in the market, accessing new markets, or enhancing learning. The literature

suggests however, that alliances generally have a high failure rate (Lunnan and Haugland 2008).

Solberg and Durrieu (2015) found that SAs are more efficient in global market settings than in multi-local ones. They argue that "confronted with the challenges of global markets – [SMEs] will profit more from cooperating with larger partners in such markets in order to access key customers otherwise unavailable. In multi-domestic markets, even if critical, such access may also be less demanding given the nature of the market. In such settings it is easier to identify small segments in each market without 'making too much noise' since the number of players in these markets generally is greater" (p. 167). The same argument may be put forward concerning industry structure; in a fragmented industry, SAs are less warranted because the number of potential customers are higher, and the entry barriers are lower, thus reducing the motivation to tie up with an SA partner. On the other hand, in a concentrated industry, SA gives the SME a leverage toward large customers enhancing their position and increasing their bargaining power. Hence:

H4: Strategic alliances are more effective in industries with few actors than in industries with many actors.

3. METHODOLOGY

3.1 Sample

Small and medium sized firms in Germany, Norway and Singapore were randomly sampled from different industry directories[i], 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), of which 296 were usable for our calculations. The response rate after two follow up rounds in all three cases was around 9.6% (8% in Singapore, 17% in Norway and 6% in Germany). Although other studies obtain similar response rates, we deem this to be fairly low and our conclusions should therefore be treated with caution. Similar response rates have been observed in other studies. Aulakh and Kotabe (1993) found in a review of 226 empirical articles a wide range of response rates – from 5% to 94%, with a mean value of 40.5%. One possible reason for the low response rate is the length of the questionnaire (71 items). The distribution of answers is shown in table 1.

The samples consist predominantly of small and medium sized firms (less than 100 million Euros), the ratio of larger firms being highest in Singapore and Germany and lowest in Norway.

Table 1 in about here

3.2 Measurements

In order to define the unidimensional character of the different constructs used in this article we performed an Exploratory Factor Analysis (principal components analysis) with promax rotation. We have tested convergent, discriminant validity, and reliability of the constructs. Convergent validity of each parameter is verified if the average of all the λ^2 (ρ_{vc}) are more than 0.5. Convergent validity is also confirmed if each item shares more variance with its construct than with the error. Discriminant validity is established if the shared variance between the theoretical variables is less than the shared variance between theoretical variables and their items: $R^2<=0.5$. Reliability is assumed when all indicators measure the same construct with loadings at a comparative level. The ρ indicator is used to measure the construct internal coherence. To measure the reliability of the constructs, we used ρ rather than Cronbach α, the former being a more powerful test with small samples, scales with limited items (less than four items) and a composite reliability for a same construct (Peterson 1994). We develop our constructs in two steps based on a five point Likert scale: strategies and performance dimensions (Table 2), and industry structure (Table 4).

Four strategies and two performance dimensions are identified representing 75% of variance for international strategies and 81% of the variance for performance. Concerning strategies we identify 1) Cautious strategies with three items ("cautious approach", "slow and safe", "one step at a time") taken from Solberg, Kristiansen and Slåttebrekk (2003) ρ=0.87. These were inspired by the Uppsala School of internationalisation (Johansson and Vahlne 1977) reflecting the incremental stages model of internationalisation and received acceptable reliability scores in their study. 2) We used variables adopted from Zou and Cavusgil (2002) concerning product standardisation which achieved a high reliability score in their study (ρ = 0.82). Our two-item-construct captures the idea of the same core products (Kotler and Keller 2006) across markets suggesting that minor adaptations on

the more peripheral components still might be possible when mandated. 3) The alliance strategies construct is taken from Solberg, Kristiansen and Slåttebrekk (2003) with two items translating different aspects of strategic alliances (meeting global challenges and complete our own competence) producing a reliability score of 0.86. 4) Finally our items describing integration strategy (sales subsidiaries are critical, 100% ownership when feasible) seek to capture the firm's preferences for control in sales and marketing channels with acceptable reliability (ρ=0.80).

Our performance measures are based on subjective measures (for example degree of satisfaction with different achievements). Subjective or satisfaction measures embody comparison with competitors and the firm's strategic goals, since they reflect the manager's perceptions of the performance relative to other players, the firm's own performance goals and its resources. This is not possible with objective measures based on accounts. In addition, these latter are more difficult to record as it is easier for the respondent to express a degree of satisfaction than to unveil concrete figures about market shares, profit rates, sales increases, etc. Our measures are inspired by among others Styles (1998), Zou, Taylor and Osland (1998), Sousa, Ruzo and Losada (2010). However we are distinguishing between two dimensions, one describing the strategic aspect of performance here labelled market position (improved international competitiveness, strengthened market share and enhanced strategic position: ρ=0.90) the other one expressing more its financial aspects (profitability, sales volume and sales growth: ρ=0.87).

Table 2 in about here

The validity of the international strategies and performance constructs were confirmed (table 3). The coefficients of convergent validity were close or superior to 0.5. The constructs were verified by the convergent validity criteria. The internal coherence coefficients were above 0.8. The international strategies and the two factor of performance therefore can be assumed reliable. The square correlations between two dimensions were inferior to the two convergent criteria of the same two dimensions in the case of International strategies and in the case of the two performance factors as shown in the table.

Table 3 in about here

Measuring industry structure offers great challenges. For example, the differentiated nature of competition makes it problematic to study competitive and industry structure. Swift advances in technology and increasingly blurred boundaries among industries, markets and competitors complicate the task even further. Introducing the international dimension of industry structure adds another distortion to the measure. Following Panagiotou (2005 and 2007) we suggest that cognitive conceptualisations of industry structure give a relevant picture of the competitive context that firms operate in. Rather than tallying an undefined number of competitors and buyers, and their respective market shares (an even more ambiguous figure), we assert that the competitive situation differ greatly *within* each industry as defined by any nomenclature (SIC, NACE). For our measure of industry structure, we therefore asked the respondents to rate the degree of concentration of competitors and customers in their respective industries. We assert that the combined effect of competitor and customer structure reflect impact on strategy formulation of firms better than competitors alone. As is shown in table 4, these two measures converge in one factor,

Table 4 in about here

After defining industry structure factor, we define three groups by using K-means method. We use factor scores for the next analysis. Concerning concentration we define two groups as presented in next table.

Table 5 in about here

4. RESULTS

The analytical framework that relates the antecedents to performance was validated by a path analysis under EQS (Bentler and Wu, 2002) using the factorial scores from previous analyses. The goal was to determine pathways from international strategies to performance by considering their exploratory factor structure. The impact of international marketing strategies on performance was tested using EQS model (Bentler and Wu 2002). With the aim of avoiding problems with multivariate normality, we applied robust

corrected method (Bentler and Wu 2002) that corrected the fit index and the corrected coefficients of the model. We also validated the goodness of fit. The model presented in figure 1 is well adjusted from empirical data (Chi^2 8.64 df 3, p=0.03, GFI 0.99, AGFI 0.93, NFI 0.98, CFI 0.98, SRMR 0.06 and RMSEA 0.08) respect their criteria of validity. We present the structural coefficients in figure 1 below. We notice that market position is explained by standardisation (0.23) and integration (0.47) whereas financial performance is explained by integration (0.19), standardisation (0.17) and market position (0.53). Alliance strategies have a more indirect impact on market position via standardisation (0.32) and integration strategies (0.16). Cautious strategies have a negative and significant impact on financial performance (-0.08), but is not affecting strategic market performance. We notice that there is no link between cautious strategy and the other international marketing strategies, a finding that emphasizes our distinction between the two groups of strategy.

Figure 1 in about here

In order to test the moderating effect of industry structure on the model we have carried out a multi-group analysis. To test measurement invariance (Steenkamp and Baumgartner 1998), we analyse configural invariance, structural invariance, variance factor invariance and error variance invariance[ii] – see Table 6 below. We use Chi-square difference between the model with equal parameters in each group and the model with unequal parameters in each group. Steenkamp and Baumgarter (1988) recommend using Chi-square difference, but also four alternative indices to compare model: RMSEA, SRMR, CAIC) and CFI.

The configural invariance is verified (Δchi^2 =58.28 Δ df=34 sign=0.01). The structural invariance is significant (Δchi^2 =43.75 Δ df=22 sign=0.00), thus validating the moderating effect for p equal to 0.05. All the indicators (Chi^2 19.24 df 12, p=0.08, GFI 0.98, AGFI 0.89, NFI 0.95, CFI 0.98, SRMR 0.08 and RMSEA 0.05) respect their criteria of validity except for the AGFI.

Table 6 in about here

Table 7 and figure 2 show that H1 is partly supported. Cautious internationalisation strategies are more related to market position in fragemented than in concentrated industries (0.18→0.00). On the other hand, cautious internationalisation has no

significant impact on financial performance in either context. Furthermore H2 and H3 are partly supported: integration (0.40→0.54) and standardisation (0.00→0.16) are more strongly related to market position in concentrated industries. Moreover, the effect of standardisation (0.24→0.19) on financial performance is reduced in more concentrated industries, thus partially rejecting our H2 on financial performance. Also H3 is accepted (0.22 → 0.25) concerning financial performance: the effects of integration on financial performance increase – albeit weakly - as industries become more concentrated. H4 is rejected: the market position effects of alliance strategies vanish in concentrated industries (0.22→0.00) and effect differentials concerning financial performance are negligeable.

Interestingly, financial performance is better explained by our model in concentrated industries (R^2 doubling from 0.30 to 0.61). This is mainly due to the link between market position and financial performance (the beta coefrficient increasing from 0.31 to 0.59). Thus, even though the direct effects of the international market strategies on financial performance do not increase in concentrated markets, they have a considerable indirect effect through market position.

Table 7 in about here

Figure 2 in about here

5. DISCUSSION

Strategy - performance relationships are intricate and difficult to untangle. We show that industry structure matters regarding the effects of international marketing strategies. We find that a cautious stance to internationalisation is advisable in fragmented industries with many, small actors. This result may challenge the literature on born globals: the high speed of international market involvement by this group of firms suggests that speed is good for performance (Gripsrud et al 2015). However, born globals are typically found in sectors of the economy caracterised by innovation, hi-tech, novel design (Knight and Cavusgil, 1996, Luostarinen and Gabrielsson 2004), generally implying that the

competitive structure in their fields of operation is not yet defined: in reality often these firms have a temporary quasi-monopoly in their markets.

On the other hand, in the latter context forward integration invariably yields improved results. We believe that the theoretical argument about control of marketing activities being more effective in markets with few actors (retaliatory capability, Hamel and Prahalad 1987) is of particular relevance in this context. Our findings also corroborate those of Solberg and Nes (2002) who found that marketing control is better catered to in integrated marketing channels (as opposed to independent channels). We also notice that a cautious approach to increased integration – as expressed by the link between these two strategies - apparently yields rewards in a concentrated industry setting, in particular concerning market position. Other authors have discussed the challenges of switching operation modes (Petersen and Welch 2000, Welch, Benito and Petersen 2007, Nes 2014). Even though our study does not address mode switches directly, we speculate that in a market with few players, information concerning such switches is transparent, and particular care needs to be taken to counter potential setbacks during the transition period (from independent to integrated systems, Petersen and Welch 2000).

Concerning standardisation and SA the pattern is mixed. In concentrated industries standardisation is conducive to better market position, whereas in fragmented industries the adaptation/standardisation issue is of limited consequence. We believe this is due to the fact that in fragmented markets there are many segments and hence there are many opportunities to taylor one's product. In concentrated markets the product standards have a tendency to converge, often through norms and regulations of the industry. Its effect on financial performance however is lower (but still positive) in concentrated compared to that in fragmented industries. We speculate that in concentrated industries (with larger players in international markets) the gains in terms of a standard image across markets giving better market position, are not matched by financial performance because players in this industry are larger, hence have more complex structures and therefore also higher coordination costs.

Furthermore industry structure seems not to have any direct impact on financial performance of SAs (which seems to have other explanations - cfr for instance Hopkins

2008), whereas SAs positively impacts market position in *fragmented* industries. We surmise that SAs many forms and purposes – some of which concern R&D, technology sharing, manufacturing, purchasing *and* marketing - may blur our results. Also, in concentrated industries, larger players tend to enter into SA with competitors (Butler 2005, Harrigan 1987), the results of which are not necessarily positive (Luo et al 2007). Yet, SAs *indirect effects* – through standardisation - on market position is stronger in concentrated industries, indicating complex strategy→perfomance mechanisms.

6. CONCLUSIONS AND IMPLICATIONS

There is not one final answer to what works and what does not work in strategy research. Contingencies are plentiful and the concept of strategy is not unambiguously defined. Our findings suggest that the S-C-P paradigm is a relevant framework also in an international context. Even though each market has its own industry structure, the integration of markets we have found that industry concentration matters – also in an international setting. We find that the relationship between market position and financial performance is considerably more important in concentrated than in fragmented industries. We also show that industry structure does not moderate the *financial performance* effects of product standardisation or integration of the sales and marketing effort. Rather the increased impact of these two strategies goes *through market performance*.

The implications for managers are that understanding the competitive structure is critical for strategy formulation in international markets. For instance, product standardisation in our study shows no effect (positive or negative) on market position in fragmented industries, whereas it has a positive effect on financial performace. We surmise that economies of scale obtained by standardised product offerings have a direct effect on financial performance, but that this is of no consequence for market share. In this context (fragmented industry structure) other mechanisms (pricing, market communication, networks) may be more decisive. Furthermore, despite being positive in both settings, integrated marketing operations appear to be more important in concentrated industries. The link between cautious approach and integration suggests that successful forward

integration in international markets be carried out in a stepwise manner. Moreover, SAs seem to be an unresolved issue. The popularity of SAs suggest that this approach in international markets be a logical answer to challenges posed by industry concentration. However, even though the rationale for the SA might sound, its the execution is not straght forward (Harrigan 1987, Lunnan and Haugland 2008, Luo et al 2007).

More research is necessary to better understand these mechanisms. First, our findings may be blurred by our general approach to the phenomenon under study. Strategy research is complex and replete with different dimensions, definitions, and contexts (Hambrcik 1983). We therefore recognise that our study only taps into the surface of this multifaceted phenomenon. Our findings suggest some directions that should be explored further. Second, we have presented the results of the combined sample of three countries. Even though industry structure does not var significantly in the three cases, strategy development does. In fact Solberg and Durrieu (2011) found significant differences beetween strategic approchaes to international markets in the three countries. Therefore we suggest to study the interaction effects between country and industry structure. Third, 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.

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APPENDICES

*Table 1: Sample distribution (%) by country and sales**					
Germany (N=73)		***Norway (N=113)***		***Singapore (N=192)***	
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

Table 2. Factor analysis and construct validity

		Load	ρ_{vc}	ρ
Cautious Strategy	When entering new markets we have a cautious approach (Caut1)	0.88	0.69	0.87
	Our company's international involvement had followed a "one step at a time" approach (Caut2)	0.87		
	We may describe our international expansion as "slow and safe" (Caut3)	0.73		
Alliance strategy	Alliances with international partners is an essential part of our strategy (All3)	0.89	0.82	0.90
	We often enter strategic alliances with international partners who will complete our own competence (All4)	0.92		
Standardi-sation strategy	Main features of our product are standardized across major markets in the world (Std1)	0.77	0.69	0.82
	We adopt a standardized core product across all markets in the world (Std2)	0.89		
Integration strategy	When feasible (depending on local regulation), we always have 100% ownership of our foreign activities (Int2)	0.90	0.67	0.80
	Sales subsidiaries are critical for us to globally implement our marketing strategies (Int3)	0.73		
Financial performance	Our international operations have been very profitable (Perf1)	0.91	0.69	0.87
	Our international operations have generated a high volume of sales (Perf2)	0.86		
	Our international operations have achieved rapid growth (Perf3)	0.71		
Market Position	Our international operations have improved our international competitiveness (Perf5)	0.97	0.76	0.90
	Our international operations have strengthened our strategic position (Perf6)	0.85		
	Our international operations have significantly increased our international market share (Perf7)	0.78		

Table 3: Construct validity

a) Strategies

	ρ_{vc}	Cautious	Alliance	Standar-disation
Cautious	0.69			
Alliance	0.82	0.01		
Standardisation	0.69	0,02	0.11	
Intégration	0.67	0.02	0.03	0.04

b) Performance measures

	ρ_{vc}	Market position
Market position	0.67	
Financial performance	0.69	0.45

Table 4: Factor analysis industry structure

The structure of customers (few or many 5 point Likert scale)	.82
The structure of competitors (few or many 5 point Likert scale)	.82
Explained variance	67%
ρ Jöreskog	0,80

Table 5: Final Cluster Centres

	Cluster		
	Many and small actors	Average	Few and large actors
Concentration	-1.16	-.015	1.06
Size	31%	34%	35%

Table 6: Measurement invariances

	chi2	df	Δ chi²	Δ df	sign	CAIC	SRMR	RMSEA	CFI
Model with unequal parameters	19.24	12				-61.01	0.08	0.05	0.98
Configural invariance	77.51	46	58.28	34	0.01	-230.09	0.14	0.05	0.92
Error measurment invariance	27.06	16	7.82	4	0.10	-79.93	0.09	0.05	0.97
Structural invariance	62.99	34	43.75	22	0.00	-164.37	0.12	0.05	0.92
Variance factor invariance	30.25	20	11.01	8	0.20	-103.49	0.11	0.04	0.97

Table 7: Beta coefficients in different industry structures

	Many and small	Few and large	
Cautious↔integration		0.20	↗
Alliance↔standardisation	0.28	0.50	↗
Cautious→market position	0.18		↘
Cautious→financial performance			=
Alliance→market position	0.22		↘
Alliance→financial performance			=
Standardisation→market position		0.16	↗
Standardisation→financial performance	0.24	0.19	↘
Integration→market position	0.40	0.54	↗
Integration→financial performance	0.22	0.25	↗
Market position →financial performance	0.31	0.59	↗
R^2 market position	0.28	0.33	↗
R^2 financial performance	0.30	0.61	↗

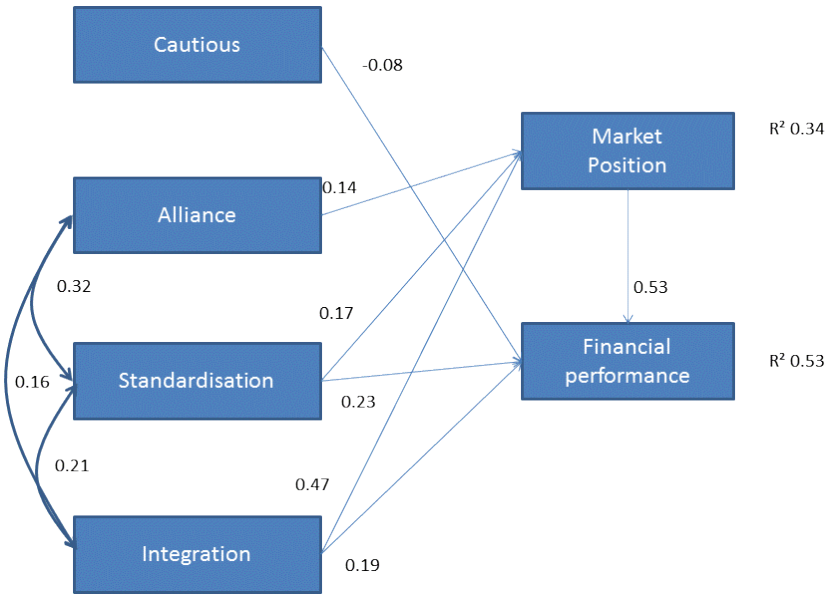

Figure 1: The impact of International marketing strategies on performance

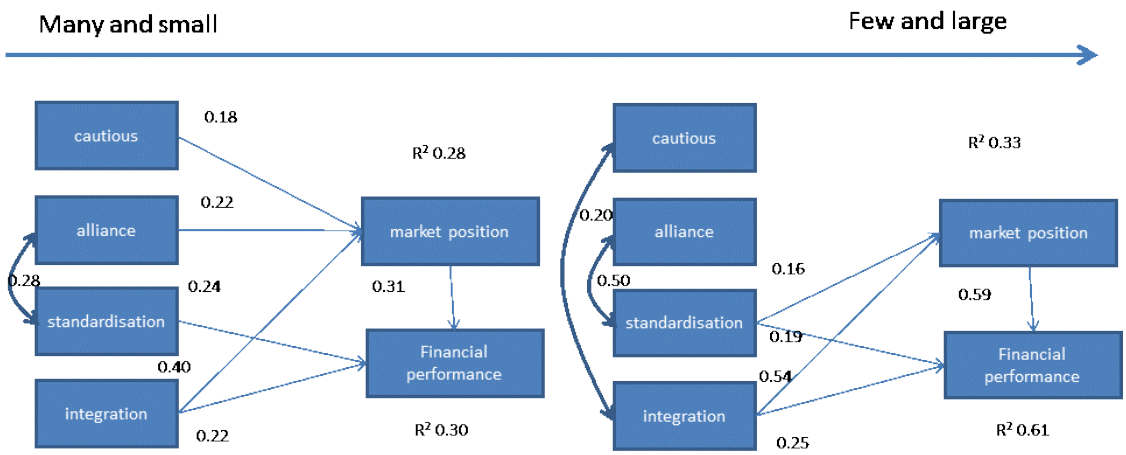

Figure 2: Effects of concentration on markte position and financial performace

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

[ii] All parameters of the model are equal for each group (configural invariance). All measurement errors are equal for each group (error structure invariance). All structural parameters are equal for each group (structural invariance). All variance factors are equal for each group (variance factor invariance).