Strategy development in international markets

A two tier approach

By

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Abstract


Strategy development in globalising markets has been the subject of research over the last fifteen years. However little agreement has been reached as to the impact of different strategies, let alone the classification of strategies themselves. This paper analyses strategies of UK exporting firms in two levels – generic strategies and five dimensions of internationalisation strategies. It concludes that generic strategies impact the more detailed internationalisation strategies and that different contingencies make these more or less relevant for firms.

## Introduction

A number of authors have investigated the link between marketing strategy and performance in international markets (Samiee and Roth 1992, Szymanski et al 1993, Cavusgil and Zou 1994, Zou and Cavusgil 2002, Solberg and Durrieu 2006). For instance, whereas Samiee and Roth (1992) found no correlation between standardisation and a firm's performance, Zou and Cavusgil (2002) found that global marketing strategy (GMS) is affected by external globalisation drivers and internal drivers such as international experience and global orientation of the firm, and that GMS in turn impacts positively on financial and strategic performance in a sample of US firms competing in global industries. Exploring other dimensions of strategy, Solberg and Durrieu (2006) observed that access to networks and internal commitment to international markets affect the strategy development of firms and that proactive globalisation strategies yield better rewards than more cautious strategies in a sample of Norwegian exporters. The same authors examine the role of nationality on strategy development (Solberg and Durrieu 2006b) and found significant differences between British and Norwegian exporters.

In 1997 Solberg suggested a framework of analysis of strategy development including factors such as industry globality and internal preparedness for globalisation. Depending on the firm's location in this framework, the firm would tend to adopt different strategies and the effect on performance of these strategies would typically be positive if carried out according to the suggested directions of the framework. However, to the authors' knowledge, to date no one has empirically investigated the moderating effect of internal factors such as management commitment and resources, and global industry environment on strategy efficiency. The present article addresses this issue by exploring strategy development of a sample of British exporters.

The article is organised as follows: A brief literature review gives the background for the development of a structural model, followed by the model and hypotheses. The methodology is then described and the results presented. A discussion including suggestions for further research and implications for management concludes the presentation of this research.

## Literature review

The multifaceted nature of the strategy concept makes it an extremely complex research object. Seen through the lenses of an international manager, the content of strategy may take many different forms that represent several dimensions. Porter (1980) in his work on generic strategies identifies three major strategies: cost leader, differentiation and focus strategies. This well known taxonomy has however been criticised for lack of precision (Morrison 1989), and - being theoretically developed – has been challenged by empirical evidence (Cool and Schendel 1985, Dess and Davis 1980). Solberg and Durrieu (2006b) suggested however that Porter's strategic orientations condition internationalisation strategies adopted by the firm (or the business unit).

Turning now to international marketing strategies, Zou and Cavusgil (2002) suggest three dimensions of what they term GMS, global marketing strategy: standardisation, configuration and integration. These have been treated separately by most researchers in this field until Zou and Cavusgil conceptualised the GMS construct in 2002. Standardisation vs. adaptation of the marketing mix is a hallmark of international marketing strategies and has been treated by a host of writers over the years (). 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, Hamel, Hedlund, Porter, Prahalad etc. The main issue here is partly to optimise the resources across all the units of the multinational corporation, and partly to find governance structures that make such optimisation possible.

During the 1980's and 1990's much of the attention in international business research focused on international entry or operation modes (Anderson and Gatignon 1986, Hennart, etc, Benito and Welch 1993). This dimension is said to determine many other variables in international marketing such as monitoring and control, use of resources and financial risk (Solberg 2006). Confronting the incremental school of internationalisation (Johanson and Vahlne 1977, 1990) with the more recent writings on Born Globals (McDougall and Oviatt, Madsen et al 2000, Cavusgil and Knight etc) another important strategic dimension emerges: that of pace of international involvement of the firm. This dimension is getting increasingly relevant in view of the effects of globalisation drivers, forcing firms to rapidly establish themselves in

order to pre-empt competitors to conquer important positions in key markets (Hamel and Prahalad 1986, Solberg 1997). The degree of market spread (or concentration) may be linked to the pace of internationalisation, but is more concerned with the geographical coverage than the temporal dimension: some firms cover most of the countries in the world, whereas other firms concentrate their resources in only a limited number of markets.

Finally, another family of marketing strategies is that of Kotler & Keller (2006), who classify a number of strategic responses to competition: market leader, market challenger, market follower, market niche player. Table 1 sums up the different strategic dimensions covered in this discussion.

TABLE 1

Strategic dimensions and key issues in international marketing

| Strategic dimension | Key issues | Main contributors |
|---|---|---|
| Generic strategies | Optimal use of competitive advantages | Porter, Cool /Schendel, Dess/Davis, Morrison, |
| Competitive marketing strategies | How to meet competitors (market leader, challenger, follower, niche) | Kotler/Keller 2 |
| Integration/operation modes | Governance and control | Anderson/Gatignon, Hennart, Brouthers et al, Benito/Welch |
| Pace of internationalisation | Control vs. risk | Johanson/Vahlne, McDougall / Oviatt, Knight /Cavusgil, Madsen |
| Geographic spread | Resources relative to market opportunities and necessity | McDougall & Oviatt, Cavusgil & Knight, Madsen & Servais |
| Standardisation | Economies of scale vs. local acceptance of marketing mix | Levitt, Quelch/Hoff, Douglas/ Wind, Samiee / Roth, Cavusgil /Zou , Solberg. |

We will in the following present a number of hypotheses derived from the model shown in figure 1. The basic contention of this model is twofold: 1) Generic strategies impact on the development of other classes of (international marketing) strategy; 2) The impact on different international marketing strategies is moderated by a number of factors, such as internationalisation commitment of the firm, firm resources, and international industry (competitive) conditions.
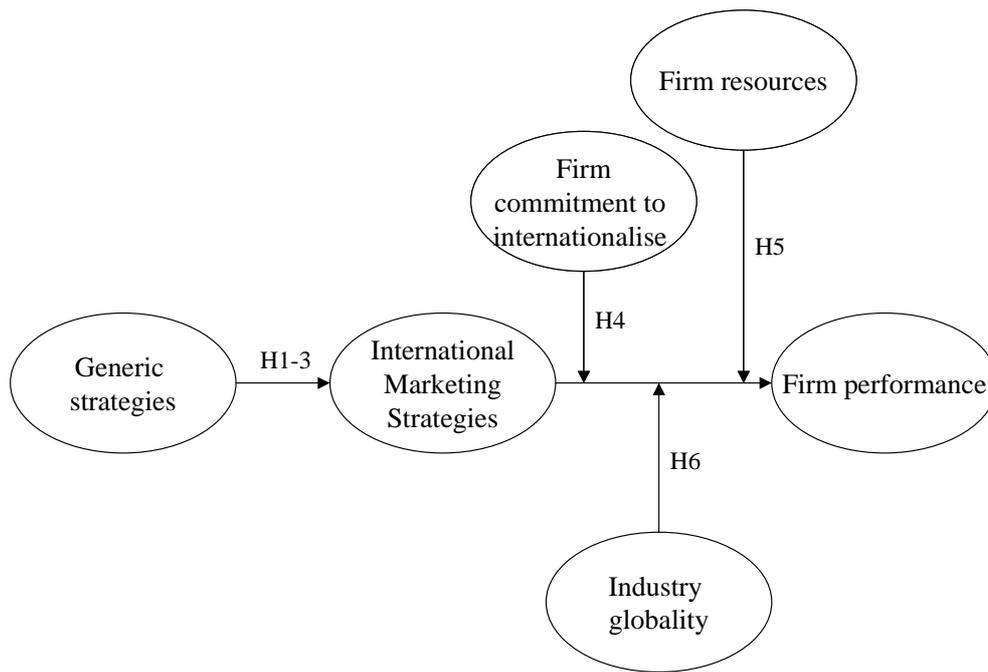
Figure 1: Model of international marketing strategies and performance

Generic strategies and international marketing strategies

It has been shown that generic strategies have some impact on different internationalisation strategies (Solberg and Durrieu 2006b). More specifically cost leader strategies were found to correlate strongly and negatively with cautious international expansion whereas focus strategies were negatively related to follower strategies. Only three international strategies were examined in this research. The present paper extends the repertoire of strategies to be analysed. We suggest to include four groups of strategies: competitive strategies (follower and challenger), operation mode strategies (integration and strategic alliances), standardisation strategies, and pace strategies (rapid or stepwise internationalisation).

The main idea behind Porter's (1980) generic strategies is that companies derive competitive advantages by concentrating on specific features (cost advantages, product advantages perceived by customers) in the market, and that they may exploit these advantages in different target markets (broad market coverage or niches). Porter (1980) goes on to suggest that firms that are "stuck in the middle" perform more poorly than firms that pursue a "clean" strategy. Even though Porter's taxonomy has

been challenged by a number of authors (Woo and Cool 1983, Dess & Davis 1984, Cool and Schendel 1985), we adopt this taxonomy in our framework, since it captures important dimensions of competitive advantage and thereby logically distinguishes one group of strategies from other groups.

*Cost leadership* implies that the firm has achieved certain scale advantages, and it is assumed that it will seek to capitalise on these advantages in broader markets, adopting a relatively aggressive stance to internationalisation.  Therefore we propose that cost leadership will not only make possible, but also bring about challenger strategies.   Conversely, and as a consequence, we also predict that cautious internationalisation and follower strategies are negatively correlated with cost leadership.  Furthermore, cost leaders by challenging the market leader will need to control the value chain in order to coordinate their marketing international effort, thereby seeking to integrate as far a possible down the chain in the market place. Hence:

H1a

Cost leaders will adopt market challenger strategies, and seek to integrate their international marketing operations.

H1b

Cost leadership is negatively correlated with cautious internationalisation and follower strategies.

*Differentiators* are expected to behave much the same way, but for different reasons. Their competitive advantage lies in the brand and / or the product, but – like cost leaders - they seek to cover greater parts of the market, albeit using other marketing tactics.  We expect differentiators to aggressively pursue their advantages by adopting challenger strategies and by seeking to control their marketing through integration of their operations.  We also expect opposite effects on cautious and follower strategies.

H2a

Differentiators will adopt market challenger strategies, and seek to integrate their international marketing operations.

H2b

Differentiation is negatively correlated with cautious internationalisation and follower strategies.

*Focus strategies* imply that the firm has concentrated on a narrow segment of the market seeking to serve this segment better than its larger competitors. This can be done either with a product or service advantage, or with a narrow cost focus. Over time they will therefore develop specific competitive advantages in their respective market segments. Servicing a limited market segment, these firms are relatively small and need therefore to complement their resource base in their internationalisation process by entering into complementary networks such as strategic alliances. To what extent do focus firms pursue an aggressive strategy rather than a more cautious strategy? Solberg and Durrieu (2006b) found that focus strategies are associated with a stepwise approach to international markets possibly because it takes time to identify and develop niche positions in international markets. On the other hand, the competitive advantage associated with the competence developed with a focus strategy, may also encourage the company to embark on a more gregarious internationalisation strategy. We therefore suggest a competitive hypothesis implying that focus strategies are associated with challenger strategies in international markets. We therefore posit that:

H3a Focus strategies are associated with strategic alliances in international markets.

H3b Focus strategies are associated with cautious strategies in international markets,

or, alternatively

H3c Focus strategies are associated with challenger strategies in international markets.

Contingency 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). The question we raise in this article is how different contingencies exercise a moderating effect on strategy. The general proposition is that factors such as commitment to internationalise, the firm's resources and external factors such as increased global integration in the industry will affect the eventual outcome of internationalisation strategies. We have adopted two classes of strategy: cautious strategies (such as stepwise or follower strategies) and proactive – global – strategies (for instance challenger, standardisation or integration strategies). Alliance strategies may indicate that the firm takes concrete and deliberate entry mode decisions that could be qualified as proactive.

Several researchers have pointed at the role played by *resources* in the internationalisation process of firms. Forsgren (1989) suggested for instance that the scant resource base of firms in early phases of their internationalisation, would typically pursue another developmental process toward international markets than more seasoned firms. Solberg and Askeland (2006) suggest a framework where TCA explains strategic behaviour of firms with greater experience and resource base enabling them to take a bolder stance toward strategy development, as opposed to firms that are less endowed with resources whose internationalisation is better explained by the incremental process theory. Others have suggested leapfrogging or faster internationalisation depending on the firms' resource base (Luostarinen and Welch 1988, Johanson and Vahlne 1990). The present article explores the effect firm resources have on the outcome of the chosen strategy. For instance it is conceivable that firms with limited resources will carry out a cautious strategic approach than with a more ambitious strategic agenda (for instance challenger or integration strategies). On the other hand, firms with ample resources are expected to benefit from bolder and more proactive strategic approaches. This gives us the following hypothesis.

H4a Firms with limited resource base adopt cautious strategies.

H4b Firms with high resource base adopt proactive global strategies.

*Commitment* to internationalise has been found to play a critical role in the internationalisation process of firms (Johanson and Vahlne 1977, Aaby and Slater 1989, Solberg and Durrieu 2006): the more committed the firm, the better it performs

in international markets. We propose that high levels of commitment will generally affect proactive internationalisation strategies positively. Hence:

H5 Firms with high commitment to internationalise adopt more proactive internationalisation strategies than firms with medium or low commitment.

Finally, the *environment* is assumed to moderate the outcome of strategy. This proposition is well in line with in the industrial organisation (IO) tradition (Caves and Porter 1977, Porter 1981) and writers on globalisation and its effects of on industrial structure (Porter 1986, Yip 1995, Solberg 1997, Zou and Cavusgil 2002). The question remains what aspects of external environment are critical in this analysis. Levitt (1983) suggests homogenisation of demand and demand patterns to play a pivotal role in this context, opening up opportunities to standardisation of marketing and economies of (global) scale, and stirred proponents of localised marketing disputing the blessing of international standardisation (Douglas and Wind 1987). Following the IO string of literature one may propose that concentration of industry structure on a global scale affects strategy development and its effect on performance (Solberg 1997, Zou and Cavusgil 2002). One remarkable effect of globalisation has been that of international mergers and acquisitions, and cross border interdependence of industries (Porter 1986, Hamel and Prahalad 1986, Yip 1995, Solberg 1997). In this paper we set out to test whether this latter dimension of globalisation has any impact on the outcome of strategy. We expect that firms adopting a proactive strategy will perform better when they operate in an industry characterised by global integration than when they operate in one that is not. The reason for this lies primarily in the prerequisites of this competitive situation: in globally integrated industries the players need to act globally (Yip 1995, Solberg 1997, Cavusgil and Zou 2002) and assertively (Solberg 2005) in order not to be out-competed by firms that do exactly that. We therefore posit that:

H6a Firms operating in locally oriented industries adopt cautious strategies.

H6b Firms operating in globally integrated industries adopt proactive internationalisation strategies.

## Methodology

*Sample*

In order to explore these differences further we have collected data from small and medium sized companies in UK. The sample was randomly drawn from the FAME database. A total of 2000 questionnaires were mailed to the respondents, yielding – after a follow up round - 213 questionnaires, a response rate of 11%. The table below gives a brief description of the sample.

### TABLE 1
### Sample description

| Total sales | % of sample | International share of sales | % of sample |
|---|---|---|---|
| Million GBP | | | |
| <5 | 36 | <25% | 40 |
| 5-10 | 26 | 26-50% | 24 |
| 10-25 | 16 | 51-75% | 32 |
| >25 | 22 | 75-100% | 36 |

*Measurements*

First we wanted to define competitive strategy from the items detailed in exhibit 1.

Factor analysis results are presented in Table 2.

### TABLE 2
### Rotated Matrix structure: competitive marketing strategy

| | Differen-tiation | Cost leadership | Focus |
|---|---|---|---|
| We differentiate our products | 0,87 | | |
| We maintain unique image for our products | 0,85 | | |
| We maintain higher quality standard for our products | 0,75 | | |
| Our int. operations are the most cost efficient | | 0,88 | |
| We have lower costs than our competitors | | 0,82 | |
| We achieve considerable economies of scale | | 0,74 | |
| Our customers have a special need | | | 0,83 |
| We focus on a small segment/target market | | | 0,81 |
| Our competence/products are so specialized | | | 0,76 |
| %variance | 24,85 | 23,01 | 21,90 |
| reliability | 0,86 | 0,86 | 0,84 |

Three factors are revealed: a factor indicating differentiation strategy, a factor defining cost leader strategy, a factor dealing with niche strategy. We consider all the constructs to be reliable, construct reliability varying between 0.86 and 0.84. Factor analysis results of international marketing strategies constructs are presented in Table 3.

## TABLE 3
Rotated matrix structure: International marketing strategies

| Variable | Cauti-ous | Alli-ance | Fol-lower | Inte-gration | Chal-lenger | Stan-dard |
|---|---|---|---|---|---|---|
| "One step at a time"-approach | 0,86 | | | | | |
| "Slow and safe". | 0,83 | | | | | |
| When enter, we have a cautious approach | 0,77 | | | | | |
| Concentrate on a few markets abroad | 0,66 | | | | | |
| "Consolidating" (rather than "expanding") | 0,65 | | | | | |
| Alliances with int. partners is part of our strategy | | 0,82 | | | | |
| Strategic alliances to complete our own competence | | 0,78 | | | | |
| We are actively seeking an equivalent partner | | 0,73 | | | | |
| Strategic alliances to defend our market share | | 0,71 | | | | |
| We are actively seeking one main partner | | 0,66 | | | | |
| We observe the ML to modify new product dev. | | | 0,87 | | | |
| We monitor the ML to imitate new product dev. | | | 0,84 | | | |
| We use the ML as a benchmark | | | 0,70 | | | |
| We monitor the ML pricing | | | 0,69 | | | |
| Integrated foreign activities by acquiring | | | | 0,72 | | |
| We will actively acquire companies abroad | | | | -0,72 | | |
| Sales subsidiaries are critical for us | | | | 0,68 | | |
| When feasible, we have 100% ownership | | | | 0,57 | | |
| Respond by increasing our promotional activities | | | | | 0,75 | |
| Quickly obtained a market position | | | | | 0,70 | |
| Est. market positions where competitors are strong | | | | | 0,68 | |
| Different sales promotion in different markets | | | | | | 0,73 |
| Our products are standardised | | | | | | 0,58 |
| %variance | 13,27 | 13,08 | 11,40 | 9,25 | 9,06 | 5,35 |
| reliability | 0,87 | 0,86 | 0,86 | 0,77 | 0,75 | 0,61 |

Five factors are revealed: a factor indicating cautious and consolidation strategies, a factor defining alliance strategy, a factor describing following strategy, a factor dealing with integration, factor dealing with challenger strategy and a factor represented by standardisation strategy. All the constructs are reliable, construct reliability varying between 0.87 and 0.62.

Results of the factor analysis of the performance construct are presented in Table 4. One factor defines the performance and represents 64% of the information. This construct has a strong reliability.

TABLE 4
Rotated matrix structure: performance

| | |
|---|---|
| Our IO have increased our market share. | 0,85 |
| Our IO have improved competitiveness | 0,83 |
| Our IO have strengthened our position. | 0,82 |
| Our IO have generated a high volume of sales. | 0,80 |
| Our IO have achieved rapid growth | 0,79 |
| Our IO have been very profitable. | 0,75 |
| Our ROI is higher than that of our major competitors | 0,74 |
| %variance | 63,79 |
| reliability | 0,93 |

Finally, factor analyses of the three contingency variables are presented. First, the structure of commitment to internationalize is presented.

| | |
|---|---|
| Export is limited by senior management | 0,89 |
| Lacks financial resources to expand | 0,72 |
| HR limit our ability to increase export | 0,69 |
| Resources devoted to domestic market | 0,63 |
| %variance | 54,76 |
| reliability rho joreskog | 0,83 |

Secondly, the structure of resources to internationalize is defing by:

| | |
|---|---|
| Use considerable resources to export | 0,82 |
| Prioritises export when planning budget | 0,78 |
| Investments in export are long-term | 0,75 |
| Survival of mgt dependent on int. | 0,75 |
| "Everyone" involved in marketing abroad | 0,69 |
| %variance | 57,48 |
| reliability rho joreskog | 0,87 |

Thirdly, the structure of global industry integration is indicated by

| | |
|---|---|
| Cross border operations have increased | 0,90 |
| Strategic alliances is a key feature | 0,90 |
| %variance | 81,82 |

| reliability rho joreskog | 0,90 |
|---|---|

Now, the model of international marketing strategies and performance (figure 1) is confirmed. All fit indexes presented in Table 5 respect the level of their criteria of validity expect for the GFI and AGFI because the model is over parameterized. Nevertheless, the model is well adjusted from empirical data and we present structural coefficient in Table 5.

## TABLE 5

## A model of strategic choice and performance

| Standardisatio- - > Performance | 0,13 |
|---|---|
| | |

Structural coefficient

| | |
|---|---|
| Differenciation <--> Cost leader | 0,16 |
| Differenciation <--> Focus | 0,32 |
| Differenciation --> Follower | 0,14 |
| Differenciation --> Challenger | 0,30 |
| Cost leader --> Cautious | -0,40 |
| Cost leader --> Integration | 0,56 |
| Cost Leader --> Challenger | 0,34 |
| Cost leader --> Standardisation | 0,58 |
| Focus --> Challenger | 0,18 |
| Focus --> Standardisation | -0,17 |
| Follower --> Cautious | -0,22 |
| Follower --> Integration | 0,28 |
| Alliance --> Challenger | 0,21 |
| Integration --> Standardisation | -0,38 |
| Cautious --> Performance | -0,35 |
| Integration --> Perfomance | 0,35 |
| Challenger--> Performance | 0,30 |

| CHI² | 681,05 | P=0,02 |
|---|---|---|
| Df | 604 | |
| GFI | 0,69 | |
| AGFI | 0,64 | |
| CFI | 0,97 | |
| NFI | 0,77 | |
| NNFI | 0,96 | |
| RMSEA | 0,04 | |

Turning now to hypotheses 4-6, we compared differences in responses to international strategies scale across groups (high / medium / low resources, commitment and global industry integration) using a one-way ANOVA. The Levene test[1] demonstrated that the difference between mean responses for high resources and low resources was significant for international marketing strategies (Integration) and performance.

TABLE 6

T-tests:  High-low resources

|  |  | Mean Scores | F | P-value |
|---|---|---|---|---|
| integration | Between-groups | 2,96 | 3,00 | 0,06 |
|  | Within-groups | 0,98 |  |  |
| performance | Between-groups | 2,54 | 2,47 | 0,09 |
|  | Within-groups | 1,03 |  |  |

Figure 2 shows that the differences are significant at the 0.1 level.  The lower the resources, the higher the performance; and integration is used more actively when the resources to internationalize are medium.
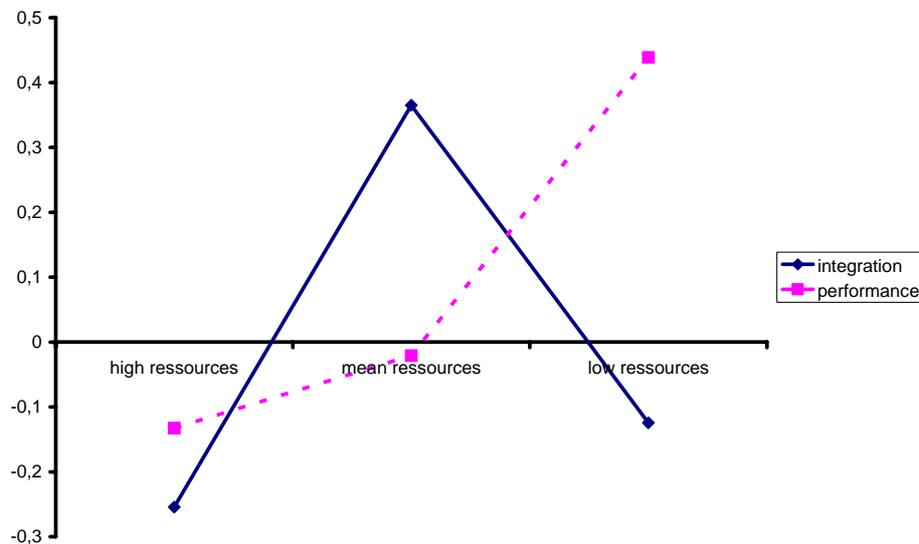


Figure 2: Impact of resources on internationalisation strategy

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[1] One-way ANOVA assumes that the variances of the groups are all equal if the significance level of the Levene exceed 0.05

We then compared differences in responses to international strategies scale across different commitment groups (high / medium / low) using a one-way ANOVA. The Levene test[2] demonstrated that the difference between mean responses for high commitment and low commitment was significant for international marketing strategies (Follower).

TABLE 7

T-test: High – low commitment

| | | Mean Scores | F | P-value |
|---|---|---|---|---|
| follower | Between-groups | 6,58 | 7,38 | 0,00 |
| | Within-groups | 0,89 | | |

As figure 3 shows the differences are significant at the 0.1 level. The more the commitment to internationalize is high, the less firms use follower strategy.
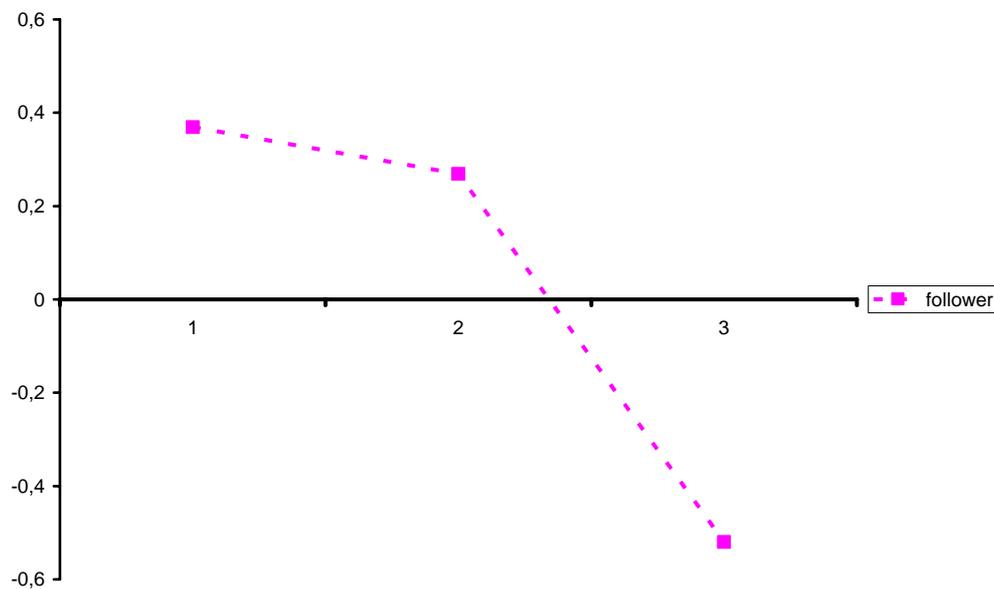


Figure 3: Impact of commitment on internationalisation strategy

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[2] One-way ANOVA assumes that the variances of the groups are all equal if the signification of the Levene exceed 0.05

We compared differences in responses to international strategies scale across groups of firms operating in different industry settings (high / mean / low global industry integration) using a one-way ANOVA. The Levene test[3] demonstrated that the difference between mean responses for high willingness and low willingness was significant for international marketing strategies (Cautious and Alliance) and Performance.

TABLE 8

T-tests: High-low global integration of industry players

|  |  | Mean Scores | F | P-value |
|---|---|---|---|---|
| cautious | Between-groups | 3,52 | 3,86 | 0,03 |
|  | Within-groups | 0,91 |  |  |
| alliance | Between-groups | 5,45 | 6,35 | 0,00 |
|  | Within-groups | 0,86 |  |  |
| performance | Between-groups | 4,02 | 4,13 | 0,02 |
|  | Within-groups | 0,97 |  |  |

Figure 4 shows significant differences at the 0.05 level. The more the industry is globally integrated, the poorer the performance and the less firms use cautious internationalisation strategies. At medium levels of global industry integration alliance strategy seem to be more used.

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[3] One-way ANOVA assumes that the variances of the groups are all equal if the signification of the Levene exceed 0.05
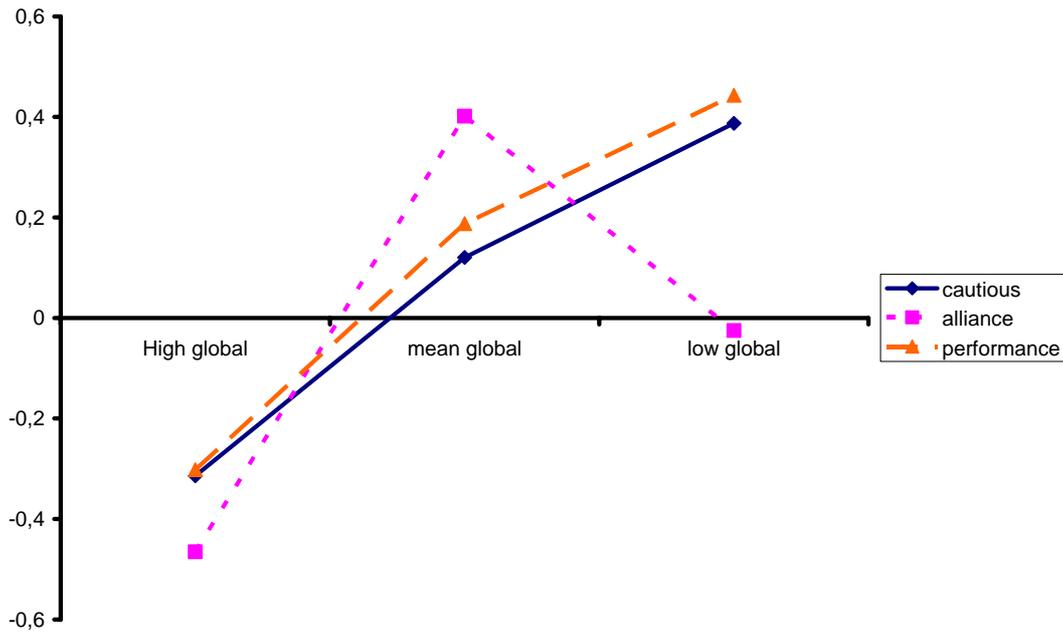
Figure 4: Impact of global industry integration on internationalisation strategy

Table 9 gives a summary of the hypothesis tests.

TABLE 9

Summary of hypothesis tests

| Hypothesis | | Expected | Outcome | Test |
|---|---|---|---|---|
| H1a | Cost leadership -> challenger/integration | + | +/+ | Supported |
| H1b | Cost leadership-> cautious / follower | - | -/ns | Partly supported |
| H1c | Cost leadership -> standardisation | + | + | Supported |
| H2a | Differentiation -> challenger / integration | + | +/ns | Partly supported |
| H2b | Differentiation-> cautious / follower | - | ns/- | Partly supported |
| H2c | Differentiation: no effect on standardisation | 0 | 0 | Supported |
| H3a | Focus-> strategic alliances | + | ns | Not supported |
| H3b | Focus-> cautious | + | ns | Not supported |
| H3b | Focus-> challenger | + | + | Supported |
| H3d | Focus-> Standardisation | - | - | Supported |
| H4a | Resources ->cautious strategies | - | - | Supported (follower) |
| H4b | Resources ->proactive strategies | + | + | Supported (focus) |
| H5 | Commitment->proactive strategies | + | (+) | Partly supported (integration) |
| H6a | Global integrated industry ->cautious strategies | - | - | Supported (cautious) |
| H6b | Global integrated industry ->proactive strategies | + | (+) | Partly supported (alliance) |

Discussion

The issue of strategy development of firms in global markets is still in its infancy. The present research endeavours to address the problem from two angles: partly by analysing strategies at two levels – generic and internationalisation strategies; partly by investigating the moderating effects of factors such as resources, commitment and global integration of the industry. We find support for the general hypothesis that generic strategies are impacting on the more "detailed" internationalisation strategies. In particular cost leadership seems to be a strong precursor to a range of proactive internationalisation strategies with strong beta coefficients - standardisation, integration and challenger strategies. Also, corroborating this pattern of proactive globalisation, cost leadership is negatively associated with cautious strategies, possibly indicating a bolder stance, including rapid deployment, toward international market involvement by firms with cost advantages. This latter confirms the pattern found by Solberg and Durrieu (2006) in a sample of Norwegian and UK exporters.

It is however mind-boggling that integration and standardisation, both associated positively with cost leadership relate negatively to each other. One would presume at the outset that carrying out marketing standardisation programmes would entail the desire for more organisational control. Our findings indicate nevertheless that cost leadership indeed invites to seek control, but integration in turn does not induce firms to further standardise. One possible reason for this negative relationship may be that the primary reason for integration of the sales and marketing function is not necessarily standardisation of the marketing programme, and that the firms in the sample largely consisting of small and medium sized companies (78% with an annual sales of less than 25 million GBP) without the necessary clout to impose a global marketing view on their foreign subsidiaries. Rather they choose to yield to their local subsidiaries in order to reduce the potential for internal conflicts, the end result being a less standardised marketing programme (Solberg 2000 and 2002).

We also observe that differentiation is leading to both follower and challenger strategies, thus only partly supporting hypothesis 2. First it is noteworthy that

differentiators adopt a more proactive strategy such as challenger strategy and that this latter in turn leads to high performance in international markets. On the other hand, we expected a negative association between differentiation and follower strategies. Given the operationalisation of the constructs (Follower: using the market leader as a bench mark; and Differentiator: unique image) it is difficult to explain the reason for this positive – albeit weak – relationship. Clearly more research is needed to understand the relationships between these two classes of strategies, both concerning the operationalisation of the constructs, and the research setting.

Furthermore differentiators do not pursue local adaptation strategies, nor do they necessarily try to capitalise on their brand or product advantage by standardising their international marketing mix. This is as expected. Standardisation is however positively linked to firm performance. This corroborates Zou and Cavusgil's (2002) finding, even though their setting was different (strategic business units of US firms with a high degree of international involvement). Also Solberg (2002) observes a correlation between standardisation and performance in a survey of Norwegian firms. This does not imply that the discussion of standardisation and adaptation of the marketing mix is concluded, but it gives the "standardisers" more empirical arguments in the debate.

The hypotheses concerning focus strategies are partly supported. First, focus (or niche) strategies do not seem to lead to alliances in international markets, suggesting that nichers do not "automatically" need additional resources in their international endeavour. That will possibly depend on other parts of their strategy mix, such as for instance pace of internationalisation. Born globals would here be a case in point, as they in their quest for rapid market coverage need to complement their resources by entering into such alliances (Oviattt and McDougall, Knight and Cavusgil 1996 and 2000, Madsen et al , Gabrielson and Kirpilani 2005). Second we find that the somewhat bolder strategy hypothesis (H3c - challenger) is being confirmed, indicating that the competitive advantages of focus firms lead them to take a more aggressive stance to internationalisation. This is in contradiction with Solberg and Durrieu's (2006) findings. However their repertoire of strategies did not include challenger (nor integration, nor standardisation) strategies and is therefore not directly comparable. Thirdly focus strategies are associated with local adaptation (or rather,

negatively associated with standardisation), supporting the idea that lack of scale economies in providing the product or service translates into the marketing programme.

We further observe that some of the internationalisation strategies impact on each other. We have already commented on the negative association between integration and standardisation strategies. Other than that, follower strategies seem to play an important part in developing other strategies: negatively on cautious strategies and positively on integration strategies. Also, alliance strategies are associated positively with challenger strategies. We did not hypothesise any such association, but may nevertheless offer some tentative interpretations. Concerning follower strategies we suggest that the firm may take bolder steps in international markets, given that other firms have "paved the way" for it, leaving it with less risk to be taken. Integration may in that context be an easier decision to take – much for the same reason. As to the link between alliance and challenger strategies, one possible interpretation is that alliances give the necessary strength to indulge in challenger strategies involving positioning in markets where incumbent firms are dominant.

We observed only a few significant effects of the contingency variables on internationalisation strategies. Resources only play a role in explaining differences in *level of integration* of international business activities. Interestingly, firms with *medium* resources (and not those with high resources) seem to be most active integrating their foreign businesses, and firms with high resources score the lowest on this construct. We therefore do not find full support for hypothesis 4. Resources alone therefore cannot explain why certain firms choose to integrate. Turning to our model, we find that integration is driven by in particular cost leadership, but also - to a somewhat lesser extent - follower strategies. Anecdotal evidence suggests that the issue of ownership of foreign operations often is a question of "faith" or principle. We may therefore speculate that cost advantages rather than resources strengthen management in developing this faith, particularly when they realise that integration is associated with higher performance.

Concerning level of commitment our findings indicate that *follower strategies* are being pursued by firms with low commitment, and not by those with high or medium

commitment, thus supporting our hypothesis 5. Finally global industry integration seems to be a more important moderator of international strategy formulation. Our finding "the more global the less cautious" supports H6a. Conversely, alliance strategies are used more actively by firms operating in a "medium global environment" than in a highly globalised industry environment. One possible explanation is that the latter groups of firms are more integrated in a response to the globalisation forces and that they therefore tune down the importance of international strategic alliances.

## Conclusions

Researching strategy development in international markets is fraught with challenges both theoretically and empirically. Innumerable factors play a role in the formation of strategy and identifying and defining relevant constructs is a demanding exercise. Compounding these problems is the fact that complex models consisting of many variables and constructs place extra pressure on the empiricist to sample a large number of companies. The difficulties encountered by researchers in collecting complex data from managers with tight schedules add to the troubles. These difficulties do not relieve us from our responsibility to address the many unanswered questions concerning strategy development in globalising markets.

Zou and Cavusgil (2002) made a great contribution to clarify different levels of global strategies, but their article is limited in scope in that it only deals with global marketing strategy and not with the broader sets of strategies that might be relevant in international business. Our endeavour is to broaden the discussion both in terms of the number of strategic dimensions that may apply in an international setting, and also in terms of relevant contingencies determining the strategic orientation of the firm. Our findings lend support to the general idea that Porter's (1980) generic strategies play a pivotal role in forming the somewhat more detailed internationalisation strategies carried out by firms. Also they indicate that contingencies prevail in the strategy process, albeit with less consequences than predicted. Finally, we add to the existing literature new insights into how different internationalisation strategies impact on performance.

Obviously more research is called for to broaden and deepen our understanding of the strategy processes of firms operating internationally. Both improvement of the constructs and extensions of the survey setting to other countries will give us a better platform to refine our knowledge base.

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Annexe 1: Effect of resources, commitment and global industry integration on international strategies

| | | Mean scores | F | P-value |
|---|---|---:|---|---:|
| cautious | Inter-group | 1,16 | 1,21 | 0,30 |
| | Intra-group | 0,96 | | |
| alliance | Inter-group | 0,52 | 0,52 | 0,60 |
| | Intra-group | 1,00 | | |
| integration | Inter-group | 2,96 | 3,00 | 0,06 |
| | Intra-group | 0,98 | | |
| challenger | Inter-group | 0,77 | 0,75 | 0,48 |
| | Intra-group | 1,03 | | |
| standardisation | Inter-group | 0,94 | 0,89 | 0,41 |
| | Intra-group | 1,06 | | |
| performance | Inter-group | 2,54 | 2,47 | 0,09 |
| | Intra-group | 1,03 | | |

| | | Mean scores | F | P-value |
|---|---|---:|---|---:|
| follower | Inter-group | 6,58 | 7,38 | 0,00 |
| | Intra-group | 0,89 | | |
| cautious | Inter-group | 2,69 | 2,85 | 0,06 |
| | Intra-group | 0,94 | | |
| integration | Inter-group | 1,18 | 1,12 | 0,33 |
| | Intra-group | 1,06 | | |
| challenger | Inter-group | 5,08 | 5,59 | 0,01 |
| | Intra-group | 0,91 | | |
| standardisation | Inter-group | 2,02 | 2,00 | 0,14 |
| | Intra-group | 1,01 | | |

| | | Mean scores | F | P-value |
|---|---|---:|---|---:|
| follower | Inter-group | 0,94 | 0,93 | 0,40 |
| | Intra-group | 1,01 | | |
| cautious | Inter-group | 3,52 | 3,86 | 0,03 |
| | Intra-group | 0,91 | | |
| alliance | Inter-group | 5,45 | 6,35 | 0,00 |
| | Intra-group | 0,86 | | |
| integration | Inter-group | 0,26 | 0,25 | 0,78 |
| | Intra-group | 1,05 | | |
| challenger | Inter-group | 0,46 | 0,45 | 0,64 |
| | Intra-group | 1,03 | | |
| standardisation | Inter-group | 0,09 | 0,09 | 0,92 |
| | Intra-group | 1,05 | | |
| performance | Inter-group | 4,02 | 4,13 | 0,02 |
| | Intra-group | 0,97 | | |