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Marketing Performances in Promoting of Business Development

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Abstract

Drawing from two strategic views of the firm the capability-based view and performance-feedback theory this study examines the role of both marketing capabilities and current market performance as potential influencers of two key aspects of the intended future competitive strategy of firms operating in international markets: efficiency and marketing differentiation. Hypotheses are developed and tested in a survey of a sample of British exporting manufacturers. The findings are supportive of a more prominent role of marketing capabilities over recent market performance on future strategic intentions in export markets. Additional analyses of firms with an already established market position reveal a clear effect of informational capability on marketing differentiation and of product development capability and current market performance on efficiency intentions. We also find that target international market competitive intensity is a direct driver of efficiency-related but not differentiation-related strategic intentions.Drawing from two strategic views of the firm—the capability-based view and performance-feedback theory—this study examines the role of both marketing capabilities and current market performance as potential influencers of two key aspects of the intended future competitive strategy of firms operating in international markets: efficiency and marketing differentiation. Hypotheses are developed and tested in a survey of a sample of British exporting manufacturers. The findings are supportive of a more prominent role of marketing capabilities over recent market performance on future strategic intentions in export markets. Additional analyses of firms with an already established market position reveal a clear effect of informational capability on marketing differentiation and of product development capability and current market performance on efficiency intentions. We also find that target international market competitive intensity is a direct driver of efficiency-related but not differentiation-related strategic intentions.

Keywords: Strategic intentions Marketing capabilities Market performance Cost efficiency Differentiation Competitive intensity International marketing

1. Introduction

Prior to their implementation, firms' strategic choices exist in the form of intentions in decision-makers' individual and collective minds. We define strategic intentions as the firm's

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goals with regard to different aspects of the strategic direction it aspires to follow in the future. At any point in time, firms are likely to pursue a given strategy and simultaneously nurture intentions regarding the future strategy they would like to pursue. Intentions are not necessarily widely known before their realization, yet they are directive of future choices and actions. Thus, strategic intentions set the foundations—type, mode and thrust —for firms' subsequent strategy choices and implementation actions, and therefore have important resource allocation, path dependency and, ultimately, performance consequences (Morgan, 2012;

Varadarajan, 2010). Yet, despite the importance of strategic intentions, the marketing strategy and international marketing literatures typically focus only on currently pursued and realized strategies. This ignores the potential for the study of strategic intentions to provide new insights into the emergence of strategy, strategic change and the development of firms' resource endowments. In an effort to fill this lacuna, ourstudy examines how strategic intentions are shaped before they become formal strategic choices and associated implementation actions.

While the management literature reveals a number of different perspectives on strategic intentions, the predominant conceptual approach views strategic intentions as a firm's direction when deploying its resources and capabilities in response to (or pre-empting) market cues such as competitive price moves or new product introductions (e.g., Grimm, Lee, & Smith, 2006; Kotha & Vadlamani, 1995).1 Thus, shifting the focus of empirical study toward strategic intentions at the SBU level should capture early trends in competing units' response to (or pre-empting) market challenges (Smith, Ferrier, & Ndofor, 2001; Varadarajan, 2015). This is particularly relevant for firms competing in international markets since these expose the firm to additional, welldocumented environmental uncertainties, costs, and opportunities making developing intended strategy a more complex and challenging endeavor (Beleska-Spasova, Glaister, & Stride, 2012; Boso, Cadogan, & Story, 2012; Cuervo-Cazurra, Maloney, & Manrakhan, 2007).

As a result, this study seeks to enhance understanding of the role of fundamental drivers of strategic intentions in firms involved in international markets. While acknowledging that overseas market institutions.

1 Empirically, however, the few studies drawing on this conceptual approach have typically focused on the strategy currently pursued by companies with varied performance results, looking at identifying those that constitute the best fit in the respective environments (Olson, Slater, & Hult, 2005).

may also play role, the predominant conceptualization in management suggests that strategic decisions are a response to what decision-makers view as relevant and important aspects of the market situation faced (Grimm et al., 2006). This occurs mainly at the product-market level, where strategy selection is continuously re-assessed and managers face a perennial

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tension of focusing on cost efficiency versus marketing differentiation (Yarbrough, Morgan, & Vorhies, 2011). Cost efficiency refers to a coherent set of actions, systems, procedures, and arrangements designed to reduce costs of production and operation with the aim of eventually achieving lower cost of goods sold relative to competition. Marketing differentiation refers to a set of firm-controlled purposive and coherent actions mainly along market facing, value-creating components, aiming at convincing channels and customers of the uniqueness of the firm's value offering vis-à-vis those of competitors.

To explain the choice of strategy to be pursued in international market contexts, this study draws on two established theories in strategic management—performance-feedback theory and the capability view— and applies these at the export marketing strategy level. Performancefeedback theory considers "current performance" i.e. the past year's product-market and financial outcomes as a key influencer in forming managers' strategic intentions, particularly when framed in terms of different referents (Greve, 1998, 2010; Iyer & Miller, 2008). For example, sales indicators relative to competition in the target market and likefor-like sales comparisons are two continuous criteria commonly used by managers to assess the relative position of the firm vis-à-vis competition and adjust or review its strategy (Lages, Mata, & Griffith, 2013). In contrast, the capability view focuses on the capabilities that allow market intelligence to develop, permeate and interact with other idiosyncratic organizational assets and processes as the fundamental mechanism shaping firms' strategic choices (Barreto, 2010; Krasnikov & Jayachandran, 2008; Teece, Pisano, & Shuen, 1997). From this perspective, path dependencies, the economics of leveraging existing assets, and the desire to select more executable strategies lead managers to develop strategic intentions that align with current capabilities (e.g., Morgan, Katsikeas, & Vorhies, 2012; Teece, 2007).

Thus, the performance feedback and capability perspectives suggest different factors that may drive collective managerial attention and determine strategic intent (i.e. the relative emphasis that managers intend to place on the two main competitive strategy dimensions—cost efficiency and marketing differentiation). We include both of these factors in our conceptual model to allow a calibration of their relative importance in influencing firms' strategic intentions. In testing key relationships in our conceptual model (shown in Fig. 1), our study design allows us to examine the business unit's intended strategic direction and simultaneously take into account its current achieved market position. This enables us to also assess potential emergent changes. In addition, hypothesized relationships are examined in overseas market environments characterized by different levels of competitive intensity. The focus is on ongoing ventures of manufacturing firms, exporting their products via overseas distributors. Thus, we focus on intended competitive strategy pursued at the business unit level of the firm in the firm's target export markets.

Our study contributes to the literature in three ways. First, it sheds new light on the relative predictive value of two important perspectives on strategy—the capabilities view and the theory of learning from performance feedback—in explaining strategic intentions in firms' competitive strategies in international markets. We find that while both approaches explain

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managerial and collective firm decision-making in internationally involved SMEs, the capabilities view better predicts strategic intentions concerning both efficiency and differentiation in export markets. Notably, we find that performance feedback only plays a role in shaping efficiency intentions.

Second, we provide new insights into progression and change patterns in competitive strategy in international markets and identify likely drivers. Taking into consideration the current market position of efficiency or differentiation and their combinations in conjunction with the respective strategic intentions, strategic change patterns that emerge in our data suggest a persistent drift toward efficiency. Conversely, we also find that informational capabilities are the strongest driver of shifts toward differentiation in business units' competitive strategy in export markets. Third, our study also examines the role of target market competitive intensity in influencing the thrust and direction of relationships between capabilities and current performance on firms' export market competitive strategy intentions concerning efficiency and differentiation. We find that competitive intensity does not moderate these relationships, but that there is a direct effect of competitive intensity in international markets on intentions concerning cost efficiency.

2. In the subsequent sections, the development of the study's conceptual model and hypothesized relationships is followed by the description of the methodology, including exploratory interviews, survey design, measures and their properties. Next, the findings are presented and discussed, and implications for theory and managers explored. The paper concludes with a consideration of the study's limitations and implications for future research.

3. Conceptual model development

2.1. Domain and potential drivers of strategic intention

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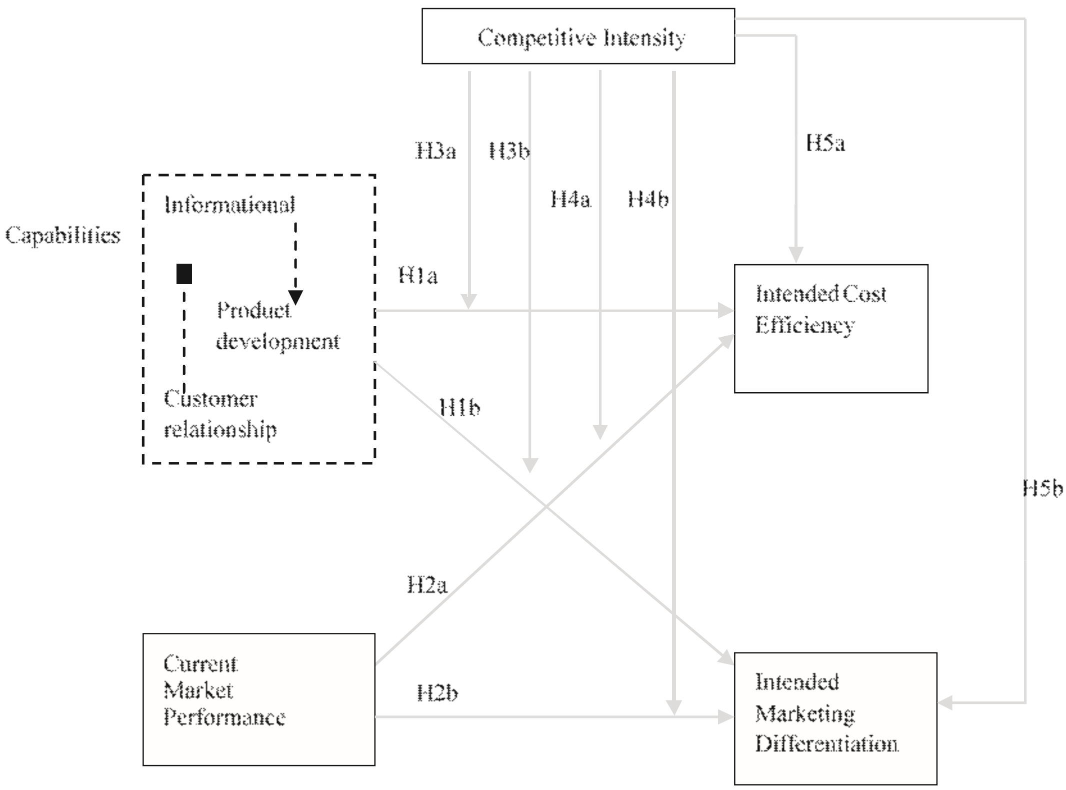

relationships with overseas customers—both distributors and end-users (customer relationship capabilities); collecting information and intelligence concerning the market, industry, and institutions of the target export market (informational capabilities); and, using these to guide the development of new products or improvement/adaptation of existing products (product development capabilities) (Fang & Zou, 2009; Kaleka, 2011; Lisboa, Skarmeas, & Lages, 2011).

The capability view suggests that the effective deployment of such valuable and idiosyncratic capabilities leads to competitive advantage and superior performance in the target markets (Lages, Silva, & Styles, 2009; Zhou, Brown, Dev, & Agarwal, 2007). However, while capabilities evolve over time they can also become ingrained "rigidities" in the organizational fabric, and are likely to resist abrupt changes (LeonardBarton, 1992). This may introduce additional uncertainty and/or inertia in the development of intended strategies, as decision-makers sense that both the fluidity and pace of their realization may be affected (e.g., Morgan et al., 2012).

Performance feedback. Performance is the outcome of any purposive activity. In addition to being the outcome of the exploitation of existing processes and allied deployment of resources (Augier & Teece, 2009; March, 1994), current market performance is an indicator of the success of recent past (i.e., mainly preceding year) strategic efforts to capture value in the export venture's market. It is the short-term outcome of the interplay of firm-specific factors, environmental conditions and strategic decisions (Lages, Jap, & Griffith, 2008) and is

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typically (albeit not exclusively) depicted in a variety of numeric indicators which are relatively easily monitored and analyzed. In general, product-market performance is monitored in a fairly continuous fashion and is expected to influence strategy design (Pauwels & Hanssens, 2007).

Notwithstanding its centrality in business discourse, the role of performance as an antecedent in strategy making is relatively underresearched (notable exceptions are Ferrier, 2001 and Lages et al., 2013). Interestingly, a number of studies have adopted change under performance decline as the setting to study strategic decision-making in management (D'Aveni & MacMillan, 1990; Ocasio, 1995), marketing (Chng et al., 2015) and international marketing (Lages et al., 2013) contexts. Although these studies focus on a common phenomenon, they adopt different lenses, focusing either on the firm (e.g., Lages et al., 2013) or the individual manager (e.g., D'Aveni & MacMillan, 1990). While firm-level findings are inconclusive, at the managerial-level, research suggests that performance declines result in more rigid (albeit more change-prone), risk laden, and short-term decision-making (Chng et al., 2015).

This is in line with performance-feedback theory concerning the role of performance in shaping strategic intentions. Decision makers evaluate each dimension of performance using an aspiration level—a threshold between success and failure—for their set goals. Aspiration levels are the result of the adoption of different referents, such as historical performance, other firms' performance, and level of perceived opportunity (Greve, 1998; Park, 2007; Shinkle, 2012). Performance outcomes are viewed as a success or failure depending on the degree to which they reach pre-set aspirations' levels. This triggers different types of search —institutionalized, slack driven, and problemistic— and responses— continuation, reinforcing or corrective— which bear different levels of risk (Greve, 2003, 2010; Kaplan & Norton, 1996). In line with prospect theory, risk-taking is likely to be higher in “failure” situations, when decision-makers (and allied business units) have little to lose (Kahneman & Tversky, 1979).

Nonetheless, it is likely that decision-makers use multiple referents simultaneously (Eisenhardt, 1999; Schwenk, 1988). These may include their firm's other products and ventures, market competition, past performance, pre-set objectives and/or industry trends. They also often use a time-frame that is different from the one year typically followed and recorded for accounting purposes by the firm. Thus, decision-makers retain some flexibility in terms of framing relative to aspiration levels and use their resulting judgments to develop an estimate of risk associated with the continuation or change of strategic alternatives (March & Shapira, 1992). In international markets, the prevailing referent is the performance of major rivals in the relevant overseas market (Ling-yee & Ogunmokun, 2001; Morgan et al., 2004; Navarro, Acedo, Losada, & Ruzo, 2011). The risk for the strategic decision-maker is that an export venture fails to meet performance aspirations at a later stage, having pursued a certain strategy.

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2.2. Deciding on the intended competitive strategy

In facing the task of designing proximate competitive strategy (typically the one to be pursued in the following year), export managers are likely to consider the current state and potential of the firms capabilities (Luo, 2002; Yiu, Lau, & Bruton, 2007) but also be influenced by their recent export market performance results (Lages & Montgomery, 2004; Lages et al., 2013). The current state of capabilities and competences has ongoing resource commitments associated with it, while export market performance results are likely to have an event-like impact i.e. they are likely to be discussed and compared to those of other export ventures, and to the firm's performance in the domestic market. While both of these factors are likely to play an important role in determining the level of emphasis placed on different intended strategy elements (Srivastava, Shervani, & Fahey, 1998; Verhoef & Leeflang, 2009), they represent two distinct influences on strategic intentions. Managers have a relatively clear appreciation of the value of the different types of capabilities for their firm and the ventures they are involved in, in comparison to similar capability arrangements possessed by competitors. They are also aware of the venture's recent performance results and the two are not necessarily congruent. However, the relative importance of these two factors is unclear.

The capability view considers environmental influences only indirectly (e.g., competition serves as referent for capabilities and venture performance) or as moderating the main effect relationships between capabilities and performance outcomes (i.e., they influence the strength and direction of the established relationships rather than directly affecting outcomes). Manufacturers exporting to various overseas markets may occasionally be surprised by certain institutional or market events (e.g., legislative change, unexpected election result, natural or humanmade disaster), but these are mostly unpredictable and relatively rare. On a routine basis, managers are preoccupied with market competition, considering each overseas market in aggregate when they deliberate on particularly attractive markets.

2.3. Capabilities and intended strategies

While the role of various capabilities can be important, it is the firm's ability to sense market needs and respond to them that sits at the core of strategy design (Day, 1994, 2011). From this perspective, the ability to generate market intelligence and develop innovative and/or customized products or adapt product features to meet or pre-empt market needs is likely to generate organizational responsiveness (Hult, Ketchen, & Slater, 2005) and offer grounds for a more differentiated marketing program (Im & Workman, 2004; Slater, Hult, & Olson, 2007, 2010). This is widely supported by the market orientation literature where research shows that informational and product development capabilities working separately and in combination contribute to improved and more successful products (Im, Hussain, & Sengupta, 2008; Narver, Slater, & MacLachlan, 2004). Strong customer relationship development capability may also be an important avenue for market-based learning for industrial products, as it offers access to export market-related information that is often difficult to be obtain

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through secondary data or via managers' intermittent physical exposure to the overseas business environment (Leonidou et al., 2011; Yen & Barnes, 2011).

Market information acquisition processes are likely to positively influence the export venture's intended strategy, irrespective of whether this involves placing emphasis on activities aiming at cost efficiency or marketing differentiation (Julien & Ramangalahy, 2003; Reimann, Schilke, & Thomas, 2010; Vorhies et al., 2009). Having an understanding of what overseas customers want and what competition can and does offer, the exporter can adjust the amount of effort that will be placed on both the venture's efficiency-enhancing processes and on innovative or differentiated marketing activities (Murray, Gao, & Kotabe, 2011; Zhou, Wu, & Barnes, 2012).

Additionally, export venture market information flows are also directed into and update the product development processes with the intent of creating more relevant products (Langerak, 2001; Veldhuizen, Hultink, & Griffin, 2006). Product development capability can also support the intention to compete on the basis of both cost efficiency and marketing differentiation (Grant, 2010). Designing and developing products that are easy to manufacture utilizing prior experience bolsters efficiency. When (loosely) coupled with embedded flexibility (e.g., modularity and component independence), it can lead to efficient alterations and, therefore, competitively priced offerings (Eisenhardt, Furr, & Bingham, 2010; Ling-Yee & Ogunmokun, 2008; Sanchez & Mahoney, 1996).

Therefore, we expect that:

H1. a: Marketing (informational and product development) capabilities will be positively associated with strategic intentions concerning cost efficiency in the export markets. b: Marketing (informational and product development) capabilities will be positively associated with strategic intentions concerning marketing differentiation in the export markets.

2.4. Current market performance and intended strategies

Performance feedback theory views current performance compared to aspirations as the main driver of firms' strategic intentions (Greve, 2010; Lant, Milliken, & Batra, 1992). Aspirations are influenced by the current performance of the export venture in comparison to that of rivals in the overseas market. Low market performance vis-à-vis rivals is viewed as an issue of concern for the firm that triggers problemistic search for change with an emphasis on previously neglected areas, experimentation, and relatively riskier strategic decisions (Chng et al., 2015; Greve, 2003; Pauwels & Hanssens, 2007). However, at least in the short-term, firms with relatively fixed resources that are already deployed across their businesses may exhibit "threat rigidity" which translates to decreased competitive aggressiveness (Audia & Greve, 2006).

As performance increases, the performance-feedback literature suggests that the following are likely to happen. First, it becomes clear that the currently followed strategic approach is

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“well received” in the market, supporting its continuation (Baum & Dahlin, 2007). Second, there will be a tendency toward routine rigidity (Gilbert, 2005). Third, there is likely to be a slowdown in explorative activities, as success tends to breed laxity (Ferrier, 2001; Gino & Pisano, 2011; Levinthal & March, 1993; Miller & Chen, 1994). Fourth, loss averse decision-makers anchor on the forthcoming need to become more efficient, as outperformance cannot be expected to continue ad infinitum (Lee, Beamish, Lee, & Park, 2009).

Following this line of reasoning in our export venture context, high venture performance suggests that strategic intentions would reflect a continuation of the extant strategic approach. Such performance increases signal that the current strategic path is the right “fit” for the company and the venture. However, taking into account the resource and capability requirements needed for the continuation of the current “successful” approach, strategic intentions are likely to be affected differently. Specifically, efficiency intentions are likely to grow as current venture performance increases as successful ventures appreciate the boundaries of the specific overseas market and the allied growth potential. Success in certain markets is also likely to fuel further export expansion efforts (Gao et al., 2010; Lee et al., 2009). Incumbent firms can consider efficiency (in terms of economies of learning) as a convenient path for existing ventures to generate the necessary funds for export expansion in other markets. Even when expansion is not part of the proximate export venture plan, efficiency is the least demanding path in terms of resource and capability needs, and therefore likely to be the intended one.

Marketing differentiation concerns the firm's specific export market offerings and refers to unique marketing activities vis-à-vis competition and/or innovations in these activities. In the short-run good performance in the export market is a signal that the firm has achieved a working strategy-environment fit and this is likely to foster an increased commitment to the current path of marketing differentiation. However, in the longer-term, for ongoing export ventures high performance is likely to increase inertia and complacency (Gilbert, 2005; Kotter, 2008). Differentiation is demanding in terms of resources and innovation-related explorative activities. Over time, it is likely that the differentiated marketing approach will progressively lose its regenerative thrust and a decreasing emphasis in the venture's differentiation-developing efforts would be unsurprising. Thus, successful exporting manufacturers can eventually be expected to cease learning and be confined to routinely follow a specific differentiation approach rendering them vulnerable to market changes and unable to maintain their momentum (Gino & Pisano, 2011; Miller & Chen, 1994).

Would successful, albeit increasingly complacent differentiators develop an intention to switch to a focus on efficiency (a strategic change) or would they continue to call marketing differentiation what is increasingly less innovative and less different (i.e. pursue less effectively marketing differentiation)? In either case the current performancemarketing differentiation intentions relationship is likely to be negative.

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H2. a: Current market performance will be positively associated with strategic intentions of cost efficiency in the export markets. b: Current market performance will be negatively associated with strategic intentions of marketing differentiation in the export markets.

2.5. The role of competitive intensity

Both the capability based view and performance feedback theory build on elements controlled by the firm to generate intended strategy content. With competition being the most prominent and typically continuously monitored component of the external market, it is also likely to have a role in the development of firms' strategic intentions. Accordingly, competition is implicitly considered in the capability view and performance feedback theory as both capabilities and performance are typically assessed with rivals as a key reference point. Nonetheless, it is direct observation of competitive intensity that predicts how firms are likely to perform in overseas markets (Brouthers, Nakos, Hadjimarcou, & Brouthers, 2009; Morgan et al., 2012; Murray et al., 2011). From this perspective, competitive intensity is the degree of perceived hostility in the environment stemming from competition (Pelham & Wilson, 1995) or the effect that a firm has on other firms' chances for survival (Ang, 2008; Barnett, 1997).

Perceptions of low competitive intensity are likely to strengthen firms' inertial tendencies (Ferrier, 2001). In less competitively intense export markets, information acquisition and product development processes will tend to run more routinely and the firm's attention is likely to focus on other export markets presenting greater challenges and expansion potential. As performance increases, so will the expectations of relatively easy—due to lack of competitive threat—rent garnering, leading to an attenuation of the drive to actively pursue efficiency and, to a greater extent, the generally more demanding differentiation path.

In highly competitive export markets, the level of uncertainty of strategic moves, product introductions and customer relationship efforts of incumbent firms increases, requiring greater additional information and information processing (Daft, Sormunen, & Parks, 1988). Thus, firms may be expected to draw more heavily on their informational capabilities and try to exploit these to a greater extent both in their efficiency and marketing differentiation endeavors (Eisenhardt et al., 2010). Further, it is likely that the positive link between current performance and intended strategies will become stronger under the threat arising from the increasing strength and/or abundance of rival offerings. Under high levels of competition, both high and low performing companies are likely to realize that their performance results are likely to be negatively affected unless they intensify their efforts, placing greater emphasis on both efficiency and marketing differentiation activities. More specifically, high performers may have to overcome complacency and make serious differentiating efforts, while low performers are likely to do the same but may also consider exiting the export market.

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H3. a: The positive effect of informational capabilities on strategic intentions of cost efficiency will be stronger when competitive intensity is high rather than low. b: The positive effect of informational capabilities on strategic intentions of marketing differentiation will be stronger when competitive intensity is high rather than low.

H4. a: The positive effect of current market performance on strategic intentions of cost efficiency will be stronger when competitive intensity is high rather than low. b: Low (high) levels of competitive intensity will accentuate (appease) the negative effect of current performance on marketing differentiation intentions.

However, intensity of competition could also have a more direct effect on strategic intentions as a response to current marketplace conditions. Past research has found little evidence of considered strategic competitive reasoning in firms (Montgomery, Moore, & Urbany, 2005), but ample support for firm reactions to rivals' actions (Clark & Montgomery, 1996; Smith et al., 2001), which could approximate intentions as responses to competitively intensive markets. However, there is no consensus regarding the type or likely direction of such reactions. Here, increased competitive intensity in the overseas market is likely to act as a stress factor for the exporting firm, although it is unlikely that it will take the firm by surprise. Their experience with the domestic market competitive situation and in different export markets will act as a buffer and increased competitive intensity will alert, but not unnerve them. In such situations, firms may be expected to protect their gains and show reduced appetite for risk-taking, increasing their drive for exploitation rather than exploration, and increase their pursuit of efficiency. In a related vein, export ventures are likely to consider intensifying (albeit conservatively rather than experimentally) their marketing differentiation efforts to strengthen or at least maintain their market position. This suggests that:

H5. a: Competitive intensity in the overseas market will be positively associated with strategic intentions of pursuing cost efficiency in that market. b: Competitive intensity in the overseas market will be positively associated with strategic intentions of pursuing marketing differentiation in that market.

3. Methods

3.1. Exploratory interviews

Semi-structured interviews were conducted with executives from nine UK based manufacturers with different levels of exporting involvement. The executives were asked to select (at least) one successful and one less successful international venture and to explain how they typically went about deciding on and implementing the future strategy that their firm would follow in their export markets. Their descriptions revealed a variety of approaches to export venture strategy making. Exporting firms review their targeting and positioning in their overseas markets intermittently, often in cooperation with the distributor. Once decisions on the (potentially) attractive areas (geographical areas or industry segments)

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within an overseas market are made, these are likely to hold for long periods. On a more continuous basis, the strategic emphasis is on strategy aspects that address the chosen market area needs and respond to or pre-empt competitive moves.

Managers did not always have set ideas on the effectiveness of their strategies. They were often unsure whether the approach they had adopted was optimal, and they were occasionally considering alternative strategic routes in their particular markets. A clear tendency was to rely on distributor feedback for cues on the market situation and appropriate strategic actions. Interviewees described an array of such actions, which were used subsequently to describe the main competitive strategy dimensions.

There was a notable scarcity of systematic or explicit association of idiosyncratic firm factors with the intended strategies, although managers acknowledged the importance of such links when probed by the interviewer. When discussing underperforming ventures, interviewees frequently considered less obvious structural or situational market factors for cues on potential causes and appropriate response plans. An allied strong tendency was the mention of the distributor's role as key contributory factor in ventures deemed satisfactory or successful.

3.2. Data collection

An initial attempt to build secondary data in the design was unsuccessful, as data at the export venture level were not publicly available and very often unavailable even at the company level. Many exporters only kept records of their sales at more aggregate levels (e.g., regions or units exported). We therefore use primary data sources. Initial details of 1093 British manufacturers of mainly industrial goods (one third of these could be of dual use, that is, as industrial and consumer goods) from a cross-section of industries with international involvement were selected from the Dun & Bradstreet directory. To ensure the directory's currency, accuracy and comprehensiveness each company was contacted by telephone to check its eligibility and identify the most appropriate individual to whom the questionnaire should be addressed. This process left 887 active exporters that were targeted in the mail survey. A total of 312 usable responses were obtained in two waves yielding a response rate of 35%. Managers were asked to select an export venture in which they were personally involved, of which they had good knowledge, and refer to that venture when answering the survey questions. Of the selected ventures 58% were active up to 5 years, about 25% for 6–10 years, 13.4% were operating for 11–20 years and just over 3% for over 20 years. Half of the participating firms (50.48%) were exporting to EU countries, 13.50% to the US and Canada, 3.22% to Japan, 4.18% to other developed countries, 3.54% to Ex-Eastern European countries 16.72% to developing countries and 7.40% to newly industrialized countries. To test for non-response bias the responding firms of the two mailshots were compared on number of employees, years exporting and number of export markets they were operating in. The t-tests revealed no significant differences between the two groups.

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3.3. Measures

To measure the main model constructs, adaptations of existing scales from Morgan et al. (2004) were used, all measured with 7-point Likert scales. Specifically, three types of marketing capabilities were measured: customer relationship capabilities, informational capabilities and product development capabilities. Respondents were asked to compare their firm with rivals in the specific venture market in terms of various aspects reflecting the above capabilities. Examples are: identification of prospective customers, acquiring export market related information, and monitoring competitive products in the export market for informational capabilities; understanding overseas customer requirements, and establishing and maintaining close customer relationships for informational capabilities; and, development of new products for our export customers and adoption of new methods and ideas in the manufacturing process for product development capabilities.

Current market performance. In line with Katsikeas, Morgan, Leonidou, and Hult's (2016) marketing performance assessment guidelines, the focus of this construct is product-market outcomes with competition as referent. It was measured with three items: market share and sales volume over the past 12 months and revenue from products introduced in the last 3 years compared to the main competitors.

For intended cost efficiency strategy, respondents were asked to indicate the level of emphasis they intended to place in future on: improving production/operating efficiency, maintaining experienced and trained personnel, and adopting new/innovative manufacturing methods/technologies. For intended marketing differentiation strategy, the question gauged the level of emphasis that they intended to place in future on: improving/maintaining advertising and promotions; building brand awareness in the overseas market; and, adopting new/ innovative marketing methods and techniques. Both scales were anchored “no emphasis at all” and “great emphasis”.

For competitive intensity, the Jaworski and Kohli (1993) scale was used. The items of this scale as well as those of the other scales alongside their contribution to the measurement of the relevant constructs are provided in Table 2.

3.4. Scale validation

Scale reliability was assessed using Cronbach's alpha coefficients. All coefficients ranged from 0.73 for strategic intentions of efficiency to 0.87 for informational capabilities and current market performance. Composite reliabilities are in parentheses. Subsequently, confirmatory factor analysis (CFA) was used to assess each scale's convergent and discriminant validity using one measurement model including all main model constructs. The results presented in Table 2 reveal acceptable levels of model fit and all factor loadings are large and significant at the 0.01 level, providing evidence of convergent validity. To assess discriminant validity, AVEs were compared with the shared variance (squared correlation) between pairs of constructs. The AVE was higher than the related shared variance in all

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cases, indicating discriminant validity. The square roots of the AVEs of the study constructs are on the diagonal Methods

With the threat of common method bias and the allied social desirability bias in cross-sectional studies, a number of precautionary measures were taken. First, after being reassured of anonymity and data confidentiality, respondents were probed to select an export venture independently of its degree of success. Second, in the introduction to pertinent questions, participants' attention was explicitly drawn to adopting their main rivals in the specific venture market as the frame of reference in their assessments of their firms' capabilities. Third, questions relating to strategic intentions, those relating to market performance and those capturing marketing capabilities were well separated in the questionnaire. To test a posteriori whether common method bias is a potential threat to data analysis and interpretation Harmon's one-factor test was adopted. An unconstrained EFA resulted in a six-factor solution explaining 68.51% of the data variance, where the largest single factor contribution was just 13.55% of the explained variance. We also used a marker variable, “level of industrialization of the target country”, which had very small and insignificant correlations with all the study variables, and followed the approach recommended by Lindell and Whitney (2001). Controlling for this marker variable, we calculated partial correlations between all study constructs. The resulting pattern was very similar to the one reported in Table 1. We also introduced a common method factor and cross-loaded it on all items of the model constructs. The significance of the model paths was unaffected. The results from the application of all these methods suggest that common method bias is not an issue of concern in this study.

The above have important resource and tactical implications. As the market sensing ability is of utmost importance in shaping management's perceptions and the firm's strategic stance, exporting manufacturers have to carefully manage the development and refinement of this capability to devise relevant and effective differentiation avenues, especially in psychologically distant markets (Yang et al., 2012). For some this may imply ceasing to rely mainly on distributors for market information, while for others it could mean conducting more systematic market analysis and establishing seamless transmission of electronic data to and from the distributor for real time customer response analysis. The same applies to product development capability, which also plays an overall differentiation-enabling role.

Our results also have predictive value for managers. Firms with less established offerings, in pursuit of a specific market position may be advised that once they achieve such a position, market performance improvements are likely to give rise to (even stronger) efficiency intentions. Managers should prepare internally for this. This advice is even more valuable for companies committed to offering clearly differentiated offerings in their overseas markets. Compared to efficiency-seeking, differentiation requires different resource acquisition and development, sacrificing economy for specialization, design, and market responsiveness (e.g., product and production design, marketing expenditure, development of customer relationships). If these companies engage in differentiation-related activities knowing that

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soon they are likely to be concerned with efficiency, they may be able to make resource investment and deployment choices that provide for the former without rendering the latter unachievable.

As many companies see the development of their capabilities as real options, it may also make sense to rethink their investment in platforms traditionally aimed at pre-empting changes in the external environment and become relatively more inward-looking (Kogut & Kulatilaka, 2001). Here, the suggestion is that such options could accommodate the likely shifts in strategic direction and be designed to minimize switching costs from differentiation to efficiency enabling platforms.

Finally, the knowledge that intense competition in overseas markets typically triggers efficiency intentions may inspire managers that actively seek differentiation in their offerings to resist the efficiency trend when competition intensifies. Instead, they can carefully assess the likely viability of new rivals and competitive offerings vis-a-vis their own, and consider persevering in their efforts to identify novel differentiation avenues potentially reaping substantial future benefits (cf. Goddard & Eccles, 2012).

6. Limitations and future research

The research model was tested with cross-sectional survey data. Hence, we assess the firm's intentions with regard to the examined ventures as perceived by export managers at that specific point in time. However, these intentions could change eventually should other environmental factors become prominent between the intentions we capture and the subsequent formal endorsement of the intentions by the exporting firm. Such environmental factors could be external, such as changes in institutional or channel arrangements and perceived effectiveness of the distributor, or internal such as the unexpected departure of the experienced export manager. A longitudinal design could shed additional light on the existence, pattern and frequency of such changes and their impact on the intentions-formal endorsement link.

It is also possible that firms and managers, either explicitly or tacitly, allow some time for a certain competitive strategy to prove its effectiveness. Thus, it may be useful to consider the stage in the deployment of the specific competitive strategy when strategic intentions are examined. For example, it may be that there will be a greater tendency to seek change of strategic approach in light of decreasing performance when this approach has been followed for a relatively long time than when it was introduced recently.

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