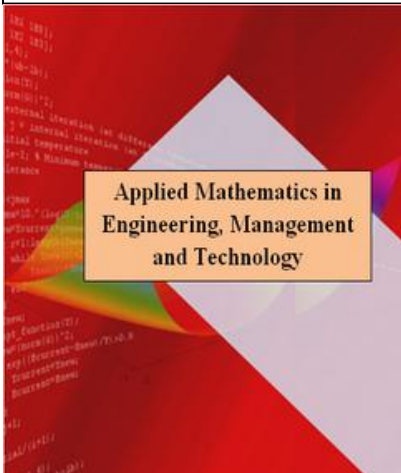


## Investigation of the effect of competitive strategies on the export performance of small and medium-sized companies in the food industry (case study: small and medium-sized companies of Tehran province)

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### Abstract

In recent decades, following the increasing growth of internationalization of trade and the movement of companies to the global market, we are observing the intense competition of competitors to seize more markets. One of the tools that helps companies in this way is the correct use of porter's competitive strategies. The problem that the researcher sought to examine in this practical research and with the cause and effect method is that which of these strategies is linked to the companies' export performance. To do this, the researcher distributed a questionnaire between 133 people. This questionnaire is a combination of the Ruiz Ortega's questionnaire (2012) to assess the porter's competitive strategies and the Xu and Estan's questionnaire (1998) to assess the export performance. Validity of questionnaire was obtained through two ways of the validity of construct and content. The results of this research showed that the two competitive strategies of cost and focus leadership has a positive and significant correlation with the export performance of

small and medium-sized export companies of Tehran province which among them, the cost leadership strategy has only a significant correlation with the non-financial export performance of these companies but the focus strategy has a significant correlation with both financial and non-financial aspects of export. Also the differentiation strategy has not a significant correlation with the export performance of these companies.

**Keywords:** porter's competitive strategies, small and medium-sized companies, export, export performance, strategy.

### Introduction

In recent decades, we observe the increasing growth of internationalization of trade and the movement of companies into the global market (Bean Shaun, Walton, 1998). A growing number of companies have found a good opportunity in this space to expand their international activities in order to achieve goals such as growth, earning profit and sales, diversifying for trade risks and even compensation of presence of foreigners in their markets (Balabanys, 2013). Under these conditions, almost all companies regardless of their size, the industry which they are working and their nationality are faced with this fact and have found that selecting the option of lack of activity in the global markets will no longer be existed for them.

In this regard and in order to expand trade, economies around the world are trying to remove the complexity to access to the international markets and also trade liberalization (Bean Shaun, Walton, 1998). To enter into the global market, companies have used different approaches which one of them is the export development approach. Since the exports required to use the least resources, it have the lowest risk and leads to the lowest organizational commitment, so this approach is the most popular and easiest approach taken by compaines trying to inter and penetrate to foreign markets (Leonido, 2012). So, according to the economic reports of many contries in the world, export forms one of the most vital sectors of the economy of each country. Exports of goods and services is the most important source of country's foreign exchange income which has the puls of alive and active economy of the world (Deh Yadegari, 1383). In the meantime, although Iran has the huge oil reserves but according to the declaration of the Ministry of Petroleum, Iran's oil reserves will reach to zero by the solar year of 1474; So, for economic growth and development and employment, there isn't any choice except development and improvement of non-oil export performance with the interaction with global markets (Deheshti Shahrokh, 1386). But the prerequisite for entering the Iranian companies into the global markets is the adaption of the right policies about entering to these markets. In other words, making a decision about the

style of entering to the market is an important strategic decision (Porter, 1388) which the researcher have used the Generic Porter's strategies (leadership of cost, differentiation and focus) as a competitive strategies employed in small and medium-sized export companies in Tehran province. However, the main purpose of managers from profitability of the organization is maximizing the long-term performance. Therefore, adopting any organizational policy and strategy should be in the same direction (Pavares, Hen, 2004). But implementing this concept is one of the topics that despite many criteria for evaluating this, there is little agreement about that among researchers (Xu & Estan, 1998). Generally, we can claimed that the existing criteria for evaluating companies' export performance are divided into two parts of financial and non-financial (Nejabati et al, 1387). In this research, the researcher efforts to combine these two sets of standards to take advantage of all effective aspects on the companies' export performance in the evaluation of their performance.

So, according to what was said, in this research, the researcher sought to determine that which Generic Porter's strategy is used in small and medium-sized export companies of Tehran province? What position The export performance of these companies from the two aspects of financial and non-financial has? Also as a main question of research, the researcher determines that what impact each of these strategies (leadership of cost, differentiation and focus) have on the export performance (financial and non-financial) of these companies?

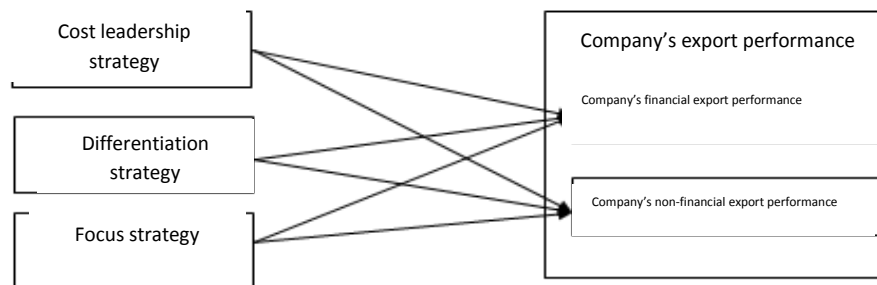


Fig 1. The conceptual model of research (Ortega, 2012)

According to the model of research, the following hypotheses were formulated:

- Cost leadership strategy has a significant impact on the company's export financial performance.
- Cost leadership strategy has a significant impact on the company's export non-financial performance.
- Differentiation strategy has a significant impact on the company's export financial performance.
- Differentiation strategy has a significant impact on the company's export non-financial performance.
- Focus strategy has a significant impact on the company's export financial performance.
- Focus strategy has a significant impact on the company's export non-financial performance.

## Research Methodology

The statistical population of this study includes small and medium-sized companies in the food industries of exports of Tehran province which according to statistics of these companies are 251 companies. Given the limitation of this society and taking advantage of the Cpchran's finite society formula for sampling, 154 of compaines were selected as examples of the research that the researcher has used the simple random sampling method for these companies. The researcher has used Ortega's competitive strategies questionnaire (2012) and the export performance of Xu and Estan (1998) to collect research data which is based on the 5-fold Likret spectrum to evaluate research variables.

## Analysis of research data

In this research, the researcher first has investigated the normality of the data obtained from the questionnaire by the Kolmogorove-Smirnov test because this issue is one of the condition of using structural equations. According to the normality of the data, so in this section the researcher can examine the research hypotheses by structural equations. But before that, the researcher investigated each of the research variables by using confirmatory factor analysis and in both cases, a significant coefficient and standard estimate for all variables and their aspects was confirmed by confirmatory factor analysis.

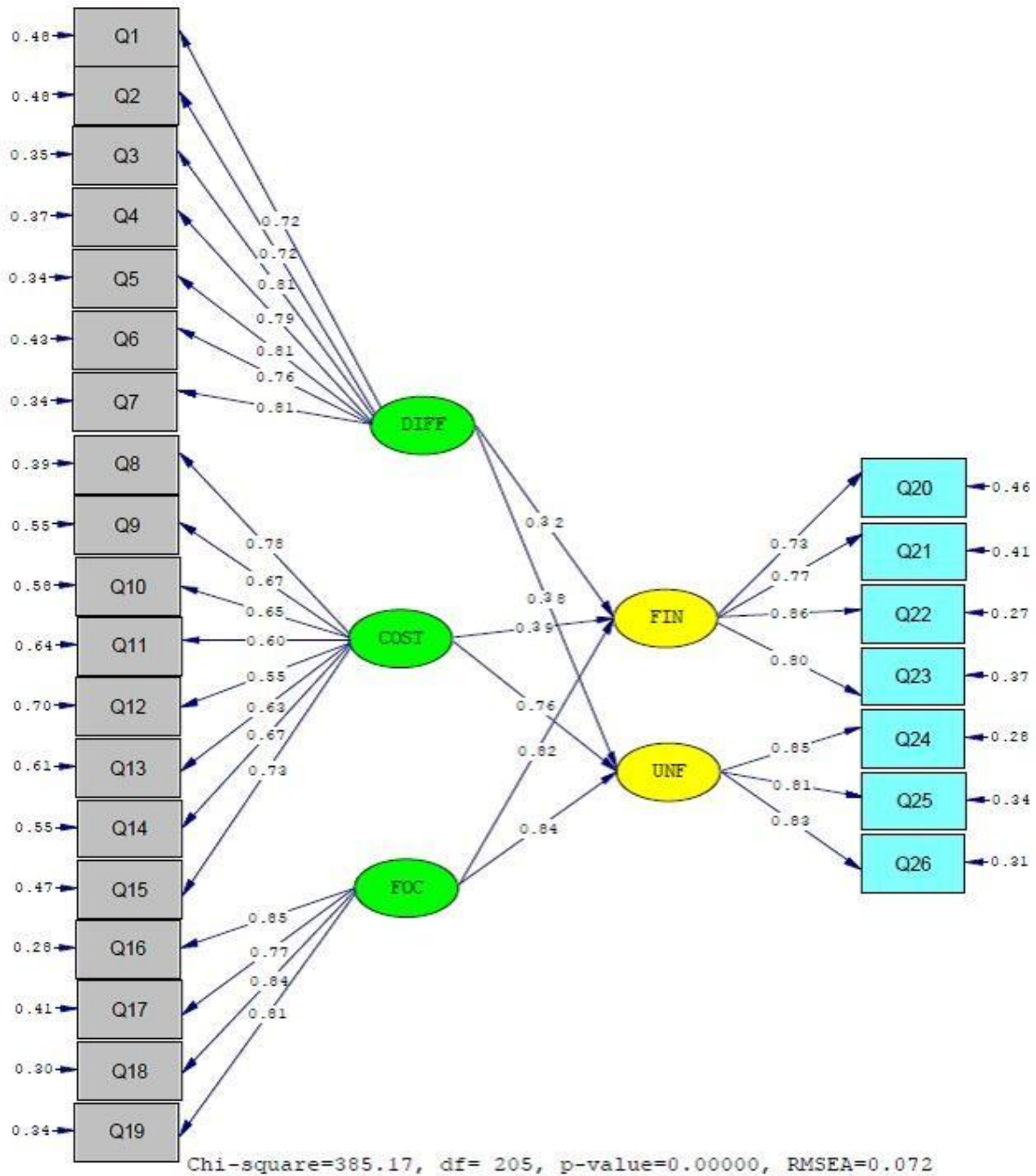


Fig 2. Model of research hypotheses in the standard estimate

In the above figure, the fitting indicators are higher than the minimum of allowable value, so we can claim that this model is fitted well (GFI=0.92, AGFI=0.96, RMR=0.06, SRMR=0.09, NFI=0.93 and IFI=0.96). The result of testing the research hypotheses has been shown in the following table.

**Table 1- Table of testing the research hypotheses**

Independent variable	Dependent variable	Standard coefficient	T-value	The result of test
Cost leadership strategy	Export financial performance	0.39	1.66	Confirmation of H0
Cost leadership strategy	Export non-financial performance	0.76	6.99	Rejection of H0
Differentiation strategy	Export financial performance	0.32	1.57	Confirmation of H0
Differentiation strategy	Export non-financial performance	0.38	1.13	Confirmation of H0
Focus strategy	Export financial performance	0.82	9.16	Rejection of H0
Focus strategy	Export non-financial performance	0.84	7.41	Rejection of H0

The amount of T-value is used to confirm or reject the research hypotheses in the Lisrel software. If this amount is greater than 1.96 or smaller than -1.96, the hypothesis H0 can be rejected. Also, if the standard coefficient is less than 0.5, the hypothesis H0 can be rejected. Since, according to the above table, the significant factor obtained about the impact of the focus strategy on the export financial performance and the cost leadership and focus strategies on the export non-financial performance are greater than 1.96, so the hypothesis H0 is rejected and the hypothesis H1 is confirmed. In other words, the focus strategy has a significant impact on the export financial performance and also the cost leadership and focus strategies have a significant impact on the export non-financial performance. On the other hand, according to the standard coefficient between the dependent and independent variables, it was found that the amount of the impact of focus strategy on the export financial performance is 0.82 and the amount of the impact of cost leadership and focus strategies on the export non-financial performance are 0.76 and 0.84, respectively.

On the other hand, the significant coefficient of cost leadership strategy on the export financial performance and the differentiation strategy on the export financial and non-financial performance is smaller than 1.96 and their standard coefficient is less than 0.5. So, the cost leadership strategy hasn't any significant impact on the export financial performance and also the differentiation strategy hasn't any significant impact on the export financial and non-financial performance.

## Discussion and Comparison

Undoubtedly, companies cannot be among the best without having a competitive advantage, in other words, other companies that were successful and are among the best, have a competitive advantage. Because the competitive strategies in general and the competitive tactics in particular are used as an effective tool on the company's performance. The competitive tactics points out the actions that the company have developed to create its own strategy. As a result, these tactics are the reflective of the strategic orientation and the infrastructure of competition (Ortega, 2012). The results of this research showed that the two competitive strategies of cost leadership and focus in the export small and medium-sized companies of Tehran province have the greatest relationship with the export performance. In addition, the differentiation strategy hasn't any significant relationship with the export performance of these companies. While Khorshid and Nojavan (1392), in the research in Iran domestic market, also showed that the focus strategy with an emphasis on the cost leadership is the most appropriate strategy for increasing the competitiveness strength of this company. Hejazi and Fotoohi (1388) performed this issue in 4 different areas of chemical, pharmaceuticals, motor vehicles and automobiles industries. In this research, it also found that the competitive strategy of product differentiation and the cost leadership strategy has an impact on the companies' performance. Ortega (2012), Herse, Bani Hani and Al-Hawari (2009) and Amovako-Yampa (2008) considered that only the two strategies of leadership and differentiation are effective on the companies' performance. Barzegar (1386) in the carpet industry also showed that the focus, differentiation and cost leadership strategies have the greatest impact on the development of the domestic market, respectively, and when they are performed at the same time, just the focus and differentiation

have meaning and the cost leadership has little share. But on the contrary, Ansari Ranani and Ghasemi Nameghi (1388) and Gharibnavaz and Babaei (1387) showed that the competitive strategy of differentiation has a considerable impact on the company's performance. What we can generally mentioned from this discussion is that companies need to adopt a proper strategy to reach to the competitive advantage. We can not say or conclude that a certain type of strategy is proper for contractor companies, but according to the key and effective factors on the strategy and due to the company's long-term goals (which is different for companies), each company could adopt various strategies. In simpler term, we can not fill a certain prescription about the type of strategy for companies.

## Conclusion

The results of the research showed that the focus competitive strategy has the highest relationship with the export performance of export small and medium-sized companies of Tehran province. This issue indicates that when Iranian companies faced with foreign markets, it is better for them to pay attention to a certain part of one market and identify the customers, competitors and ... needs by using different tools rather than developing the market. Only in this case, the company will be able not only to reach to the company's export non-financial objectives (export non-financial performance) but also to gain a good profit (export financial performance) beside it. In contrast, using the cost leadership strategy causes that the company lose a part of its profit. Although this strategy leads the company to the export non-financial objectives but the companies which adopted this strategy haven't a proper export financial performance. The reason of this issue may be that although the company should reduce its production costs in this strategy, but due to the boycott of many new devices and new technologies, Iranian companies have to utilize the devices of the older technologies that this issue undoubtedly causes that the wastes of these companies don't have any significant reduce. So, the companies that insist on this strategy are forced to reduce the selling price of their product; That is why the adaption of this strategy didn't lead to improve the export financial performance of these companies. About the lack of relationship between the differentiation strategy and the export performance of small and medium-sized companies of Tehran province, the researcher also knows that the lack of new devices and new technologies of Iranian companies is the most important, because they have lower probability of success in competition with their foreign competitors. Generally, we can conclude that the export small and medium-sized companies of Tehran province should identify the special and more virginal markets rather than producing high quality product and differentiating to the competitors to reach to the export financial and non-financial objectives from the focus strategy in those markets.

## Recommendations to small and medium-sized companies

- According to the results obtained from the research on the hypothesis "investigation of the relationship between the cost leadership strategy and the export performance", The researcher suggests to the managers of small and medium-sized companies of Tehran province that they apply the issues of quality control which lead to the reduction of wastes and production costs to increase the export financial performance.
- According to the results obtained from the research on the hypothesis "investigation of the relationship between the cost leadership strategy and the export performance", The researcher suggests to the managers of small and medium-sized companies of Tehran province that only if they use the new devices and update technologies, they take advantage of this strategy.
- According to the results obtained from the research on the hypothesis "investigation of the relationship between the focus strategy and the export performance", The researcher suggests to the managers of small and medium-sized companies of Tehran province that they try to identify the parts of market where the competitors are fewer and are consistent with the company's ability before entering to the foreign markets and then enter to the international markets.
- According to the results obtained from the research on the hypothesis "investigation of the relationship between the focus strategy and the export performance", The researcher suggests to the managers of small and medium- sized companies of Tehran province that don't use this strategy unless they have higher competitive advantages than competitors.

- According to the results obtained from the research on the hypothesis “investigation of the relationship between the differentiation strategy and the export performance”, The researcher suggests to the managers of small and medium- sized companies of Tehran province that don't use this strategy unless they have higher competitive advantages than competitors.

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