Key drivers of SMEs export performance: the mediating effect of competitive advantage

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Abstract

Purpose – *With its focus on the context of small firm internationalization, this paper aims to assess the important contribution of strategic determinants that influence export performance (EP), considering the mediating effect of competitive strategy.*

Design/methodology/approach – *Based on survey data from 247 Portuguese small and medium-sized enterprises (SMEs) exporting textiles, members of the Portugal's Textile Association (ATP), this research adopted a quantitative methodological approach, conducting an exploratory and transversal empirical study.*

Findings – *The paper finds suggest that entrepreneurial orientation (EO) has a positive and significant influence on differentiation and EP. Moreover, the results also highlight the role of intangible resources (IR) in the design of both differentiation and cost leadership strategies, which drives EP. Finally, absorptive capabilities (ACAPs) are highly related with EP.*

Practical implications – *The paper provides empirical evidence that EO, IR and ACAPs are predictors of competitive strategies and EP. Moreover, and alongside with firm's resources, this study validates that competitive strategy does matters for small firm managers and the development of one type of competitive advantage is also a major performance enhancer.*

Originality/value – *This study provides fresh insights into entrepreneurship and strategic management literature, as it considers the importance of multiple factors to SMEs business growth. Moreover, this paper presents empirical evidences of the strategies that small firm managers should pursue and policy makers should support. Finally, this is an original study applied to the Portuguese textile industry.*

Keywords *SMEs, Entrepreneurial orientation, Competitive advantage, Export performance, Absorptive capabilities, Intangible resources*

Paper type *Research paper*

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1. Introduction

Small and medium-size enterprises (SMEs) are increasingly confronted by challenges and opportunities in international markets. Together with large corporations, smaller firms are among the key players in international trade. Smaller firms that belong to traditional (low-tech and labour-intensive) industries can find here opportunity for growth or challenge their survival. In fact, they are especially vulnerable to global competition, particularly from players located in low-labour-cost economies. To achieve competitiveness in this context, smaller firms need to develop unique, firm-specific assets (Zucchella and Siano, 2014).

Developments in this global economy have changed the traditional balance between customer and supplier. New communications and computing technology, and the reasonably open global trading systems, mean that customers have more choices and supply alternatives are more transparent. Firms need therefore to be more customer-centric

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and constantly re-evaluate their value propositions, especially, as technology provides low cost information and a wide diversity of solutions (Teece, 2010).

Firm survival is the lowest when firms are small; thus, the development of effective strategies is critical for the continuity of business (Thornhill and Amit, 2003). According to the extant literature, increasing business competitive position, particularly SMEs, is of pivotal importance for the development and renewal of national economies (O'Cass and Sok, 2014). At present, although SMEs are recognized as important contributors to modern economies, our understanding of how they thrive in an increasingly competitive environment and achieve growth is limited (Anderson and Eshima, 2013). Thus, it is urgent to understand the drivers of SMEs performance.

In a dynamic and turbulent environment, knowledge represents a critical resource to create value and to develop and sustain competitive advantages (Teece *et al.*, 1997). However, fast-changing environments, technologies and competitiveness intensify the challenges firms face in attaining self-sufficiency in knowledge creation (Camisón and Forés, 2010).

The competitive environment has long been considered one of the critical contingencies in strategic management. In essence, dynamism and complexity reflect the degree of uncertainty facing an organization and munificence signals a firm's dependence on those environments for resources (Lumpkin and Dess, 2001). Miller (1983) argues that entrepreneurial strategies are likely to be more successful when addressing customers that value innovation and unique services. This is consistent with a dynamic environment. In these environments, where demand is unpredictable, firms that are oriented to pursue new markets, opportunities are abundant and performance is higher because they have a good fit between their strategic orientation and the environment. In other words, we would expect the alignment between entrepreneurial orientation (EO) and a dynamic environment to have positive performance implications (Wiklund and Shepherd, 2005).

Barney (1995, p. 66) developed the VRIO model (Valuable, Rare, Imitable and Organization) and suggested that to create sustained competitive advantage and discover unique resources and capabilities, "managers must look inside their firm for valuable, rare and costly-to-imitate resources, and then exploit these resources through their organization". This theory is based on the assumption that the source of competitive advantage is obtained from firms' resources based on two assumptions:

1. Strategic resources are heterogeneously distributed across firms.
2. These differences are stable overtime (Barney, 1991).

However, several strategic management scholars argue that resource-based view (RBV) has basically "in-ward" orientation. Although RBV recognizes that "the value of the firm's resources and capabilities is determined by the market context within which the firm is operating" (Barney, 2001, p. 645), it does not address the processes of converting resources and capabilities into customer value (Möller, 2006).

Another body of literature in the field of strategic management has focussed on dynamic capabilities (Barreto, 2010). The firms' success depends not only on its resources and capabilities but also on the ability to adapt itself to the industry contingencies and markets in which operates. Firms may possess resources but must display dynamic capabilities otherwise shareholder value will be destroyed (Bowman and Ambrosini, 2003). It is in this context that emerges the dynamic capabilities view (DCV) (Amit and Schoemaker, 1993; Teece *et al.*, 1997) to support the adjustment to environmental change. DCV is not divergent but rather an important stream of RBV to gain competitive advantage in increasingly demanding environments (Ambrosini and Bowman, 2009; Barreto, 2010; Eisenhardt and Martin, 2000; Wang and Ahmed, 2007). Monteiro *et al.* (2017) defend that in versatile markets, firms' capabilities should be dynamic and managers must display the

ability to ensure consistency between business environment and strategy to continuously renew skills.

Resource-based scholars argue that resources form the basis of firm strategies (Barney, 1991) and intangible resources (IR) are more likely than tangible resources to produce a competitive advantage, as they are often rare and socially complex, thereby making them difficult to imitate (Hitt *et al.*, 2001). Thus, intangible assets are considered strategic variables (Amit and Schoemaker, 1993) and can consequently create sustainable value. Firms with valuable, scarce and non-substitutable resources can gain at least temporary advantages by using those resources to develop and implement product-market strategies (Hsu and Ziedonis, 2013).

Exploring IR among SMEs has inherent scholarly value, as these firms tend to be constrained in their tangible assets; possessing IR take on particular strategic significance and can form the basis for competitive advantage (Anderson and Eshima, 2013). Moreover, SMEs are believed to face greater uncertainty as a result of the external environment than large firms and, thus, they have a greater tendency to take risks and innovate to attain success (Stoll and Ha-Brookshire, 2012). SMEs are therefore encouraged to implement an entrepreneurial mind-set to recognize the threats and opportunities in the environment of the firm to ensure firm's perpetuation and thrive (Kraus *et al.*, 2012).

Our study is responsive to the call of Sousa *et al.* (2008) which suggests that, in the context of international markets, firms' survival and expansion, and consequent economic growth of many countries, is strongly dependent on a better understanding of the determinants that influence export performance (EP). In fact, factors that set off SME growth (including exporting) are still in need of research (Stouraitis *et al.*, 2017), and studies should also be focussed on mediating variables (Sousa *et al.*, 2008).

It is known that large firms develop their resources and capabilities over time when conducting export activities. SMEs lack resources and capabilities, and therefore, larger firms are more likely to overcome the challenges of exporting than smaller firms. Additionally, scholars assert that SMEs are unable to achieve competitive advantage in foreign markets (Paul *et al.*, 2017).

We believe that EO (Rauch *et al.*, 2009), IR (Dhanaraj and Beamish, 2003) and absorptive capabilities (ACAPs) (Zahra and George, 2002) are good predictors of SMEs export strategy and growth, and that they are indeed capable of attaining competitive advantage. Therefore, it is our intention to address the aforementioned gap and study factors that determine the success of SMEs EP, by testing the following research questions:

RQ. Does entrepreneurial orientation, intangible resources and absorptive capabilities positively influence small business export performance? Additionally, does competitive strategies, either by cost leadership or differentiation, mediates this relationship?

Our research specifically focuses on SMEs excluding larger organizations. This focus allows us to draw detailed conclusions for this specific context. Therefore, building on the entrepreneurship and RBV literatures, this empirical study assesses the influence of EO, IR and ACAPs in EP of Portuguese SMEs.

This study contributes to the entrepreneurship and strategic management literatures in twofold:

1. understanding the effects of decisions made by management in selecting strategic orientations; and
2. contributing to the on-going scholarly conversation on the value of intangibles and competitive strategies to SMEs business growth.

Hence, this paper builds on a growing body of literature that attempts to develop and test conceptual frameworks to understand the strategic determinants of small firm's growth.

The article is structured as follows. First, it reviews the relevant literature for EO, IR, ACAPs, competitive strategy and EP before developing hypotheses (Section 2). Next, it describes the research design of the empirical study (see Sections 3 and 4). Thereafter, the study findings are presented (Section 5), followed by discussion of the research, which concludes with the limitations of the study and suggestions for future research (see Sections 6 and 7).

2. Theoretical framework

2.1 Entrepreneurial orientation

First conceived by Miller (1983), and later extended by Covin and Slevin (1989, 1991), EO is a firm's behavioural tendency, managerial philosophy or decision-making practice that is characterized by innovativeness, proactiveness and a willingness to take risks. The focus is not on the person but in the process of undertake (Wiklund, 1999).

Contemporary studies in small business and entrepreneurship have often placed firm growth at the centre of their inquiry (Blackburn *et al.*, 2013). The EO–performance literature is extensive. While Wiklund and Shepherd (2011) findings indicate a positive relationship between EO and failure, there is some scholarly tendency to assume that firms with more EO have superior performance (Wiklund and Shepherd, 2005). Several empirical studies indicate a positive correlation between EO and organizational growth (Covin and Slevin, 1991; Davis *et al.*, 2010; Frank *et al.*, 2010; Lumpkin and Dess, 1996; Miller, 1983). Similarly, other studies also confirm that EO has a positive correlation with export's performance, enhancing business growth (Okpara, 2009; Zahra and Garvis, 2000). Clearly, this link seems to be one of the few "universal" ones in management research. The strength of this positive association, however, varies considerably across national contexts (Semrau *et al.*, 2016).

EO has been characterized by certain constructs that represent organization's behaviour. Starting from Miller's (1983) definition, three dimensions were identified: innovativeness, proactiveness and risk-taking. Innovativeness is the predisposition to engage in creativity and experimentation through the introduction of new products/services as well as technological leadership in new processes. Risk taking involves taking bold actions by venturing into the unknown and/or committing significant resources to ventures in uncertain environments. Proactiveness is an opportunity-seeking, forward-looking perspective characterized by the introduction of new products and services ahead of the competition and acting in anticipation of future demand (Rauch *et al.*, 2009). Collectively, these dimensions can enhance firm's ability to recognize and exploit international market opportunities well ahead of its competitors (Gil-Pechuan *et al.*, 2013).

EO influences firm performance when firms strategically acquire, develop and leverage resources for opportunity exploitation to gain competitive advantage. Therefore, EO should be associated to the concept of competitive strategy (Lechner and Gudmundsson, 2014).

2.2 Intangible resources

The new paradigm of today's world economy is characterized by the mobility of production resources and the ability to combine them in an efficient way. This perspective is consistent with the RBV. RBV is essentially an "inside-out" theory for strategy development. Contrary to the positioning school, firms find strategic success through the acquisition, development and deployment over time of scarce resources and skills which are either unique or combined with other assets (Connor, 2002).

There is a consensus in the literature that the source of competitive advantage is much more associated with IR, as these are scarcer and socially complex, making their imitation

difficult (Barney, 1991; Hitt *et al.*, 2001). Consequently, IR are considered strategic resources (Amit and Schoemaker, 1993).

Intangibles have three interesting features that distinguish them from tangible resources (Molloy *et al.*, 2011). First, intangibles do not deplete or deteriorate with use, conferring benefits for an undefined period, contrasting with tangible resources, which have expected depreciation (Cohen, 2005). Second, multiple managers can simultaneously use intangibles. For example, the brand is available for use to all managers. Finally, intangibles are immaterial, which makes them difficult to exchange and cannot be separated from their owner. Indeed, to get hold of a brand, firms must often acquire the entire organization (Marr and Roos, 2005).

Empirical research identified six types of resources that are particularly important sources of competitive advantage, especially in international ventures, namely, reputational resources, access to financial resources, human resources, cultural resources, relational resources and informational (knowledge) resources (Morgan *et al.*, 2006).

IR are based upon knowledge or information, such as organizational culture, product reputation, firm's brand and their abilities are unlimited (Pearson *et al.*, 2015), having a much broader range of use in international markets (Fernández-Olmos and Díez-Vial, 2015).

2.3 Absorptive capabilities

Exporting firms need to recognize and understand their foreign customers and competitors to be able to enhance or adjust their capability, adapt products, target multiple export market segments, manage different partners, including foreign distributors and track customers' needs and trends (Evangelista and Mac, 2016).

In modern business environment with high turbulence, knowledge has been designated as a dominant source of competitive advantage. To survive certain pressures, companies need to recognize, assimilate and apply new external knowledge for commercial purposes (Jansen *et al.*, 2005). This ability, known as ACAP (Cohen and Levinthal, 1990), emerges as an underlying theme in the organizational strategy research (Jansen *et al.*, 2005).

Cohen and Levinthal (1990) presented a definition of ACAP most widely cited by academic research, as the firm's ability to identify, assimilate and exploit new knowledge. Thus, this ability access and use new external knowledge, regarded as an intangible asset, is critical to success and depends mainly on prior knowledge level, as it is this knowledge that will facilitate the identification and processing of new one. This prior knowledge not only includes the basic capabilities, such as shared language, but also recent technological and scientific data or learning skills. By analysing this definition, it is found that ACAP of knowledge has only three dimensions, namely, the ability to acquire external knowledge; the ability to assimilate it inside and the ability to apply it.

Zahra and George (2002) divided ACAP in potential absorptive capability (PACAP) and realized absorptive capability (RACAP). PACAP reflects the firms' ability to acquire and assimilate knowledge that is vital for their activities. Knowledge identification, acquisition and assimilation is related to routines and processes that permit to analyse, process, interpret and understand external information. RACAP includes knowledge transformation and exploitation, where transformation is the ability to develop routines that facilitate the integration of newly acquired knowledge in existing one. Knowledge exploitations are routines which enhance existing skills or create new ones by incorporating acquired and transformed knowledge internally.

To cope and enhance each ACAP dimension, Jansen *et al.* (2005) argue that firms need to develop organizational mechanisms which enable them to synthesize and apply newly acquired knowledge. Thus, there are coordination mechanisms that increase the exchange of knowledge between sectors and hierarchies, like multitasking teams, participation in

decision-making and job rotation. These mechanisms bring together different sources of expertise and increase lateral interaction between functional areas. System mechanisms are behaviour programmes that reduce established deviations, such as routines and formalization. Socialization mechanisms create a broad and tacit understanding of appropriate rules of action, contributing to a common code of communication.

However, a challenging point for managing the firm's ACAP is that many firms fail to:

- consistently acquire and disseminate the collected information from sphere of front-line units (e.g. marketing and sales managers);
- transform or integrate this knowledge into the general market intelligence; or
- successfully apply the intelligence to increase their competitive position and/or customer value preposition, which in turn will enhance superior performance (Rakthin *et al.*, 2016).

2.4 Competitive advantage

The different way managers interpret the same external environment leads to distinct policies formulation and differentiated actions, which, together, is reflected in organizational performance (Lumpkin and Dess, 1996; Zahra, 1993).

The increased intensity of business competition has forced firms to adopt a non-traditional management techniques and tools. Maintaining competitive advantage is a dynamic and infinite activity (Hung *et al.*, 2010).

How firms achieve and sustain competitive advantage? This is the fundamental question in the field of strategic management (Teece *et al.*, 1997). Porter (1985) considers simply a matter of creating value for customers and doing it better than competition.

Porter's model to classify firm strategies remains the most commonly supported and acknowledged framework in strategic management literature (Allen *et al.*, 2006). Porter proposed four competitive strategies, namely, broad cost leadership, broad differentiation, cost focus and differentiation focus. While cost leadership or differentiation is defined as dominant competitive strategies, focus is not a standalone strategy and "is not sufficient for above-average performance" (Porter, 1985, p. 15). Consequently, there is a tendency in the literature to recognize two main sources of competitive advantage:

1. *Cost leadership*: reaching lower costs than competitors; and
2. *Differentiation*: creating more value for customers than the average firm (Lechner and Gudmundsson, 2014).

Furthermore, and according to Porter, the two logics of differentiation and cost leadership are incompatible.

Hence, we can reduce the study of competitive strategy to differentiation and cost leadership, especially if the competitive strategy is related to other strategic elements of firm's behaviour. Differentiation means to fulfil customers' needs in a unique way, based on speed, customer service and flexibility, which is consistent with innovative approaches and characteristics of entrepreneurial firms. Cost leadership requires substantial financial resources (to invest in tangible assets), is based on process innovation, learning curve benefits, economies of scale and standardization and seems to be less appropriate for small firms, given the resource constraints (Lechner and Gudmundsson, 2014).

Sustainable competitive advantage represents firm's competitive maintenance on the long run, whose performance is above average, resisting the dynamic evolution of competition, consumers and industry (Amit and Schoemaker, 1993; Peteraf, 1993; Porter, 1985).

2.5 Export performance

The use of efficient worldwide communications technology and transportation, the decrease in governments' protectionist policies and the decrease of geographically protected markets have made it possible, and necessary, for many firms to view their operating domains as global (Gil-Pechuan *et al.*, 2013). Moreover, small countries with constricted domestic markets depend on the success of small firms who can export successfully and grow to a scale beyond that which their home market could support (Casey and Hamilton, 2014).

Literature on EP is extensive, but arguably, it has not yet achieved the consensus required to prescribe exporting strategies to small firm (Casey and Hamilton, 2014). Exporting is an early phase in the internationalization model established by Johanson and Vahlne (1977, 2009), grounded on the assumption that new exporters can gradually engage with foreign markets, depending their exploitation strategy on knowledge and other resources. This export research, however, was not pertinent for small exporters (Casey and Hamilton, 2014), as its unit of analysis was large firms.

In a fairly recent literature review, Sousa *et al.* (2008) conclude that, along with internal capabilities and competencies, the main determinants of EP are firm size and international experience. Actually, internationalization processes have mainly been studied with reference to multinational corporations and less for SMEs, because smallness is usually considered a problem, as these firms often have a disadvantage in resource access (Musso and Francioni, 2014). This, however, does not support small firm managers in search of a growth strategy through exporting.

Conversely, the number of small firms operating in international markets has increased and represents the majority of firms in most countries, and therefore, they play an important role in the economic growth of their countries. As a consequence, the internationalization process of SMEs has become a topic of academic and governmental attention (Musso and Francioni, 2014).

Hence, the development of exports is of great importance, both at macro and micro levels. Exporting contributes to economic and social development of nations, helps the industry progress, increases productivity and creates jobs. At firms level, through market diversification, exports provide an opportunity for them to become less dependent on the domestic market, gaining new customers, exploiting economies of scale and achieving lower production costs while producing more efficiently (Okpara, 2009).

Export is a more attractive way to enter international markets, especially for SMEs, in comparison with other alternatives, such as joint ventures, which involve spending a large number of resources (Dhanaraj and Beamish, 2003; Fuchs and Köstner, 2016; Piercy *et al.*, 1998), do not create high risk and commitment and allow greater flexibility in adjusting the volume of goods to different export markets (Lu and Beamish, 2002).

On one hand, export activity fulfils certain business goals, which may be economic (such as increasing profits and sales) and/or strategic (such as diversification of markets, gaining market share and increasing brand reputation) (Cavusgil and Zou, 1994).

On the other hand, export motivation may result from proactive or reactive actions. For example, proactive actions are advantage of profit, introduction of a single product, technological advantage, exclusive information, commitment of management, tax benefits and economies of scale. Reactive motivations are identifying competitive pressures, excess production capacity, sales decrease or saturation in the domestic market and proximity of customers and landing ports (Stouraitis *et al.*, 2017; Wood and Robertson, 1997).

In terms of geographic concentration versus diversification as internationalization strategies for SMEs, Brouthers *et al.* (2009) studied small firms exporting from Greece and the Caribbean region, that are contextualized in mature, traditional and low-technology industries. The

authors concluded that these firms should concentrate their internationalization efforts and pursue a single export market strategy. On the opposite side, this does not apply to the small New Zealand firms, where the most successful are R&D-based and are operating across several overseas markets (Casey and Hamilton, 2014). Of course, such dissimilarities in findings are perhaps due to different contexts and types of small firms.

3. Hypotheses derivation

SMEs must take into account the various barriers and challenges when developing a strategic orientation that fits their internationalization strategy. EO is of vital importance for firms to overcome their smallness disadvantages (Paul *et al.*, 2017).

Zahra and Garvis (2000) argue that operating successfully in the global market requires creativity, ingenuity and risk taking. In the process of international expansion, firms need to learn and use different skills from those used in their domestic markets, and this requires experimentation and risk taking. Thus, when firm intend to internationalize, EO can be a competitive advantage, either in existing or new markets (Miller, 1983; Zahra and Covin, 1995).

It has been suggested that competitive strategy mediates the EO–performance relationship. Therefore, the relationship between EO and competitive strategy is key to understanding small firm performance (Lumpkin and Dess, 1996). As usually differentiation and cost leadership are described as opposing logics (Porter, 1985), it is unreasonable to assume that EO has an impact on the two types of competitive advantage in a similar manner (Lechner and Gudmundsson, 2014).

H1. Entrepreneurial orientation is positively associated with differentiation.

H2. Entrepreneurial orientation is positively associated with cost leadership.

RBV is focussed on how "sustained competitive advantage is generated by the unique bundle of resources at the core of the firm" (Dhanaraj and Beamish, 2003, p. 244). This theory posits that competitive advantages are obtained from firms' resources based on two assumptions:

1. Strategic resources are heterogeneously distributed across firms.
2. These differences are stable overtime (Barney, 1991).

Barney (1995, p. 66) suggested that, to create sustained competitive advantage and discover unique resources and capabilities, "managers must look inside their firm for valuable, rare and costly-to-imitate resources, and then exploit these resources through their organization". Peteraf (1993) considers resources to be the cornerstone of competitive advantage.

H3. Intangible resources are positively associated with cost leadership.

H4. Intangible resources are positively associated with differentiation.

Teece *et al.* (1997, p. 516) defined dynamic capabilities as the "firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments". Dynamic capabilities thus reflect firms' ability to achieve new and innovative forms of competitive advantage.

ACAP is a dynamic capability found in organizational processes that enable firms to reconfigure their core resources, react to environmental dynamics and build competitive advantage (Zahra and George, 2002).

H5. Absorptive capabilities are positively associated with cost leadership.

H6. Absorptive capabilities are positively associated with differentiation.

Relevant mediators may affect EO, RI, ACAP–performance relationship, such as the strategy pursued (Sousa *et al.*, 2008). The implementation of a specific competitive strategy (be it cost leadership or differentiation) requires different and specific resources and capabilities (Lechner and Gudmundsson, 2014). We acknowledge that competitive strategy mediates the EO, RI, ACAP–performance relationship by determining:

- how well available resources and capabilities are matched with market requirements;
- the appropriateness of planned resource and capability allocations; and
- the quality of strategy implementation (Morgan *et al.*, 2004).

Thus, both generic strategies should enhance firm performance.

H7a. Differentiation strategy is positively associated with export performance.

H7b. Cost leadership strategy is positively associated with export performance.

SMEs that show high EO tends to succeed better at exports (Paul *et al.*, 2017). Previous research suggests that each individual dimensions of EO can have a universal positive influence on performance (Wiklund and Shepherd, 2005), it increases the commitment to innovation, which contributes, for example, to the creation of new products and services, the search for new opportunities and new markets (Lumpkin and Dess, 1996; Miller, 1983). Hence, innovative companies, creating and introducing new products and technologies, can generate higher economic performance and are seen as engines of economic growth (Schumpeter, 1934). Proactive companies can create first-movers advantage, target premium market segments, charge high prices and reach the market ahead of competitors (Zahra and Covin, 1995). The link between risk taking and performance is less obvious. However, while good or effective strategies may lead to high performance, risky strategies leading to performance variation – because some projects fail while others succeed – may be more profitable in the long term (Wiklund and Shepherd, 2005).

H8. Entrepreneurial orientation is positively associated with export performance.

It is widely recognized in international business literature that small firms are poorer in managerial and financial resources and that this resource constraint affects their tendency to internationalize, as well as their success in foreign markets. These disadvantages can be counterbalance by the development of unique resources (firm-specific advantages) that enable firms to achieve competitiveness (Zucchella and Siano, 2014).

RBV scholars argue that variations in firms' performance result from the possession of heterogeneous resources. This heterogeneity leads to performance imbalances and affects firms' ability to design and implement competitive strategies (Barney, 1991; Peteraf, 1993). Thus, and according to this theory, the possession of heterogeneous resources and capabilities directly affects firms' performance (Makadok, 2001; Teece *et al.*, 1997). In the same sense, dynamic capabilities enable firms to achieve superior long-term performance (Teece, 2007).

H9. Intangible resources are positively associated with export performance.

H10. Absorptive capabilities are positively associated with export performance.

4. Method

4.1 Sample and data collection

The population of this empirical study has been drawn from Portuguese textile industry firms. Questionnaires were used as primary data sources and were carried out over the period of 16 February to 30 April 2016. The identification of companies was done through the Portugal's Textile Association (Associação Têxtil de Portugal – ATP) database. So, in this study, we use a non-probabilistic and convenient sampling.

A total of 247 complete and validated questionnaires accounting for 25 per cent of the population were obtained. This response rate is considered quite satisfactory, given that the average of top management survey response rates are in the range of 15-20 per cent (Menon and Bharadwaj, 1999).

4.2 Statistical analysis

We used PLS-SEM path modelling to test our hypothesis, specifically the software SmartPLS 3.0 (Hair *et al.*, 2013; Sarstedt *et al.*, 2014). We believe that the PLS-SEM path modelling is best suited to estimate our research model because:

- This study focuses on prediction and explanation of constructs variance (in our Case 6).
- Our research model has a complex structure.
- The relationship between EO, IR, ACAPs and EP can be measured directly and indirectly via competitive advantage.
- This study uses first and second-order reflective constructs.
- The sample (n = 247) is somewhat small.

4.3 Measures

This study uses well-validated scales from previous studies to operationalize the key constructs and adapted them to the particular context of our empirical setting.

Independent variables – To assess EO we adopted Covin and Slevin's (1989) measurements for the three dimensions of innovativeness, proactiveness and risk-taking. Following Morgan *et al.* (2006), in the IR construct, we included six dimensions, namely, reputational resources, access to financial resources, human resources, cultural resources, relational resources and informational (knowledge) resources. According to Zahra and George (2002), ACAP construct is divided in PACAPs e RACAPs. To measure this construct, we use Jansen *et al.* (2005) scale.

Mediator – Competitive strategy was measured through two dimensions, namely, differentiation and cost leadership, using Morgan *et al.* (2004) scale.

Dependent variable – Performance is a construct that is difficult to operationalize holistically, as it may refer to different aspects of the organizational effectiveness (Gil-Pechuan *et al.*, 2013). Researchers face particular challenges when trying to fully understand SMEs. The majority of SMEs is privately held, and, thus, they are not required to provide detailed financial information. Many SME managers are unwilling to provide correct information about their financial performance, such as revenue, annual sales and return on investment. To address these problems in SME research, it is recommended using subjective measures, such as managers' perceptions, rather than objective measures (Stoll and Ha-Brookshire, 2012). Hence, perceived EP was measured with five items, using Okpara's (2009) measurement instrument, which includes profitability indicators such as growth in sales, profit, activities and operations and performance in general.

For IR, competitive advantage and EP, the decision makers were asked to assess the relative position of their firm *vis-à-vis* their competitors. All constructs were assessed on a five-point Likert scale.

5. Results

5.1 Non-response bias and common method bias

In this study, we performed a univariate test of significance (t-test), to examine existing differences between respondents who answered our questionnaire quickly and those who

did not. The results ($p < 0.05$) showed the absence of significant differences between the two groups of respondents. Hence, we can assure that our sample is free from non-response bias. The methods used to reduce the risk of common method-bias were several. In the survey design itself, already validated in previous investigations, short and concise items were used to reduce misunderstandings. A pre-test was conducted to a group of several university experts and business specialists. Similarly, following the recommendation of Podsakoff *et al.* (2003), a distribution of items of dependent and non-consecutive independent variables was used. Finally, before assessing the relationships between dependent and independent variables, Harman's single-factor test was performed. Unrotated factor analysis using the eigenvalue-greater-than-one criterion revealed six factors, the first explaining 17.0 per cent of the variance. This suggests that common method bias is not a serious threat to the validity of our study.

Next, to analyse and interpret the PLS-SEM results, we will assess the measurement model; and evaluate and test the structural model.

5.2 Evaluation of measurement model

Results from Table I show that the measurement model meets all general requirements. First, all reflective items have a load higher than 0.707, which means that the reliability of individual indicators (loading^2) are higher than 0.5. Second, all composite reliability values and Cronbach's alpha values are higher than 0.70, suggesting acceptable model reliability. Third, the average variance extracted (AVE) values of all constructs are higher than 0.50, indicating an adequate convergent validity and implying that our set of indicators represent the same underlying construct (Hair *et al.*, 2013).

Finally, regarding discriminant validity, this paper presents two necessary approaches:

1. The first approach suggests that the AVE should share more variance with its assigned indicators than with any other construct (Fornell-Larcker criterion).
2. The second approach suggests that no item should have a higher factor load with another construct than with the one which is assign to measure.

The results shown in Table II confirm the existence of discriminant validity in our study.

5.3 Evaluation of structural model

Once the measurement model is defined and validated in all its components, we will proceed and create the second-order model, following previous research (Zahra and Garvis, 2000), where the latent variables of the measurement model behave as constructs' measurement variables, specifically: EO (innovativeness and proactiveness), intangible resources (reputational, financial, human, cultural, relational and informational resources), ACAP (acquisition, assimilation, transformation and exploitation), competitive advantage-cost (CAC), competitive advantage-differentiation (CAD) (product and service) and export performance.

In the following Tables III and IV, we present the results of reliability, convergent validity and discriminant validity corresponding to the second-order model. All data confirm the strength of our model.

Next, we will follow the five steps of Hair *et al.* (2013) to measure the structural model, namely:

1. collinearity assessment between constructs;
2. structural model path coefficients;
3. coefficient of determination (R^2 value);

Table I Measurement model

First-order constructs	*Items*	*Factor loading*	*Item loading*[2]	*Cronbach's Alpha*	*Composite reliability*	*AVE*
Entrepreneurial orientation						
Innovativeness	INNOV1	0.813	0.661	0.827	0.896	0.742
	INNOV2	0.892	0.796			
	INNOV3	0.876	0.767			
Proactiveness	PROA1	0.844	0.712	0.853	0.908	0.767
	PROA2	0.959	0.920			
	PROA3	0.818	0.669			
Risk-taking	*	–	–			
Intangible resources						
Reputational resources	REP1	0.928	0.861	0.905	0.934	0.779
	REP2	0.915	0.837			
	REP3	0.847	0.717			
	REP4	0.835	0.697			
Financial resources	FIN1	0.940	0.884	0.964	0.974	0.902
	FIN2	0.962	0.925			
	FIN3	0.942	0.887			
	FIN4	0.956	0.914			
Human resources	HUM1	0.875	0.766	0.932	0.952	0.832
	HUM2	0.889	0.790			
	HUM3	0.943	0.889			
	HUM4	0.939	0.882			
Cultural resources	CULT1	0.922	0.850	0.891	0.932	0.821
	CULT2	0.914	0.835			
	CULT3	0.880	0.774			
Relational resources	REL1	0.963	0.927	0.951	0.965	0.872
	REL2	0.916	0.839			
	REL3	0.934	0.872			
	REL4	0.922	0.850			
Informational resources	INF1	0.875	0.766	0.881	0.917	0.734
	INF2	0.822	0.676			
	INF3	0.864	0.746			
	INF4	0.866	0.750			
Absorptive capability						
Acquisition*	ACAQ1	0.729	0.531	0.782	0.850	0.532
	ACAQ2	0.694	0.482			
	ACAQ3	0.830	0.689			
	ACAQ4	0.687	0.472			
	ACAQ6	0.698	0.487			
Assimilation	ACAS1	0.819	0.671	0.847	0.907	0.766
	ACAS2	0.932	0.869			
	ACAS3	0.871	0.759			
Transformation*	ACTR2	0.827	0.684	0.874	0.908	0.665
	ACTR3	0.873	0.762			
	ACTR4	0.795	0.632			
	ACTR5	0.854	0.729			
	ACTR6	0.721	0.520			
Exploitation	ACEX1	0.791	0.626	0.897	0.922	0.663
	ACEX2	0.765	0.585			
	ACEX3	0.866	0.750	0.897	0.922	0.663
	ACEX4	0.836	0.699			
	ACEX5	0.703	0.494			
	ACEX6	0.909	0.826			

(*continued*)

Table I

First-order constructs	*Items*	*Factor loading*	*Item loading*[2]	*Cronbach's Alpha*	*Composite reliability*	*AVE*
Competitive advantage						
Cost	VCC1	0.884	0.781	0.900	0.931	0.771
	VCC2	0.816	0.666			
	VCC3	0.952	0.906			
	VCC4	0.855	0.731			
Product	VCP1	0.875	0.766	0.924	0.946	0.814
	VCP2	0.903	0.815			
	VCP3	0.929	0.863			
	VCP4	0.902	0.814			
Service	VCS1	0.863	0.745	0.886	0.921	0.746
	VCS2	0.923	0.852			
	VCS3	0.865	0.748			
	VCS4	0.799	0.638			
Export performance	DEXP1	0.873	0.762	0.927	0.945	0.775
	DEXP2	0.889	0.790			
	DEXP3	0.837	0.701			
	DEXP4	0.915	0.837			
	DEXP5	0.887	0.787			

Notes: *The variables "Risk-taking"; ACAQ5 and ACTR1 corresponding to factor risk, acquisition and transformation were excluded from the measurement model due to low values. Accordingly, values lower than 0.7 generate a low correlation and threaten the reliability of the scale

Table II Latent constructs correlation (Fornell–Larcker criterion)

Constructs	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*
1. Acquisition	*0.730*															
2. Assimilation	0.307	*0.875*														
3. Cost	0.358	0.373	*0.878*													
4. Cultural resources	0.510	0.271	0.260	*0.906*												
5. Exploitation	0.357	0.656	0.275	0.524	*0.815*											
6. Export performance	0.390	0.466	0.488	0.337	0.584	*0.880*										
7. Financial resources	0.481	0.444	0.670	0.511	0.345	0.435	*0.950*									
8. Human resources	0.557	0.243	0.373	0.810	0.534	0.406	0.636	*0.912*								
9. Informational resources	0.613	0.351	0.480	0.557	0.370	0.220	0.496	0.666	*0.857*							
10. Innovativeness	0.280	0.290	0.169	0.387	0.488	0.513	0.212	0.334	0.195	*0.861*						
11. Proactiveness	0.028	0.256	0.114	−0.022	0.316	0.352	−0.023	0.043	0.050	0.303	*0.876*					
12. Product	0.407	0.259	0.303	0.711	0.488	0.399	0.485	0.731	0.524	0.465	0.148	*0.902*				
13. Relational resources	0.593	0.236	0.447	0.698	0.412	0.409	0.622	0.715	0.606	0.296	−0.058	0.649	*0.934*			
14. Reputational resources	0.514	0.268	0.404	0.639	0.484	0.468	0.589	0.660	0.459	0.526	0.128	0.789	0.656	*0.882*		
15. Service	0.404	0.411	0.319	0.502	0.335	0.335	0.465	0.589	0.540	0.340	0.118	0.814	0.599	0.555	*0.864*	
16. Transformation	0.412	0.620	0.153	0.516	0.848	0.640	0.331	0.550	0.383	0.520	0.349	0.501	0.437	0.443	0.414	*0.816*

Table III Convergence validity and reliability indexes of the second-order model

Constructs	*Cronbach's alpha*	*Composite reliability*	*AVE*
Absorptive capacity	0.849	0.900	0.694
Competitive advantage-diferentiation_	0.898	0.951	0.907
Competitive advantage-cost	1.000	1.000	1.000
Entrepreneurial orientation	0.568	0.814	0.688
Export performance	1.000	1.000	1.000
Intangible resources	0.908	0.929	0.687

Table IV Discriminant validity index of the second-order model

Constructs	*1*	*2*	*3*	*4*	*5*	*6*
1. Absorptive capacity	*0.833*					
2. Competitive advantage-diferentiation_	0.523	*0.952*				
3. Competitive advantage-cost	0.349	0.326	*1.000*			
4. Entrepreneurial orientation	0.495	0.400	0.183	*0.830*		
5. Export performance	0.646	0.388	0.488	0.530	*1.000*	
6. Intangible resources	0.636	0.762	0.535	0.312	0.465	*0.829*

4. predictive relevance Q^2; and
5. bootstrapping method.

To analyse possible collinearity we used values from variance inflation factor (VIF). The results show that VIF values for the independent variables are between 2.08 (Absorptive) and 1,325 (Entrepreneurial), indicating that, in line with Hair *et al.* (2013) or Diamantopoulos and Siguaw (2006), the results obtained are not negatively affected by collinearity.

Next, to obtain coefficients magnitudes, we used path model analysis. Figure 1 and Table V summarize these results.

As the fundamental objective of our PLS-SEM technique is the prediction of EP, the quality of our theoretical model will be determined by measuring the strength of each path (β), that is the relationship between EO, IR, ACAP, CAC and CAD in the predictability of the endogenous construct EP. Thus, to study our dependent variable, the value that we have to maximize is R^2. According to Hair *et al.* (2013) and Sarstedt *et al.* (2014), this coefficient measures the amount of construct variance that is explained by the model, where values of 0.5 are considered to be moderate and 0.25 weak. In our model, the mediators R^2

Figure 1 Results of structural model

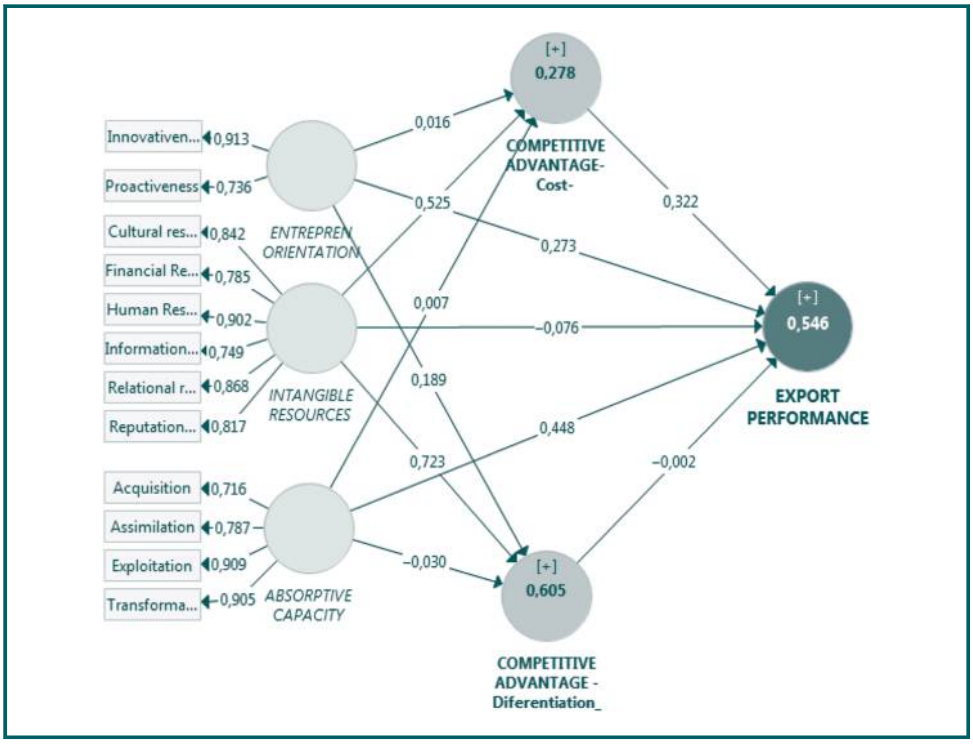

Table V Significant testing results of the structural model path coefficients

Hypotheses	*Original sample*	*STERR*	t *statistics*	p-*values*	*2.5%*	*97.5%*	*Conclusion*
AC → CAD	−0.03	0.039	0.789	0.43	−0.104	0.044	*H6* non-supported
AC → CAC	0.007	0.063	0.115	0.91	−0.117	0.128	*H5* non-supported
AC → EP	0.448	0.045	10.051	0.00	0.363	0.537	*H10* supported
CAD → EP	−0.002	0.078	0.032	0.98	−0.173	0.137	*H7a* non-supported
CAC → EP	0.322	0.06	5.408	0.00	0.201	0.435	*H7b* supported
EO → CAD	0.189	0.042	4.514	0.00	0.107	0.271	*H1* supported
EO → CAC	0.016	0.054	0.289	0.77	−0.088	0.125	*H2* non-supported
EO → EP	0.273	0.048	5.658	0.00	0.18	0.373	*H8* supported
IR → CAD	0.723	0.041	17.448	0.00	0.634	0.797	*H4* supported
IR → CAC	0.525	0.048	10.917	0.00	0.428	0.614	*H3* supported
IR → EP	−0.076	0.099	0.761	0.45	−0.258	0.131	*H9* non-supported

coefficient is 0.610 for CAD and 0.286 for CAC and 0.555 for EP, so we can assert that these values are more than satisfactory.

Stone–Geisser (Q^2) test indicates the predictive ability of the independent variables. Data show that the five independent constructs have results higher than 0, specifically: 0.528 for CAP, 0.164 for CAC and 0.414 for EP, which supports the predictive capacity of our model.

Finally, and applying the non-parametric bootstrapping test, we evaluated the significance of mediation effects. The results show significance of coefficients shown in Figure 1.

Results from Table V indicate that three factors influence significantly and positively EP. Specifically, EO, CAC and AC, which supports *H8*, *H7b* and *H10*, respectively, β = 0.273, β = 0.322 and β = 0.448. Hence, innovative and proactive firms achieve superior EP. Similarly, competitive strategy of cost leadership influence firms' development in foreign markets. Moreover, ACAPs available to firms, both potential (acquisition and assimilation) and realized (transformation and exploitation), influence significant and positively the performance in international activities via exports. These three relationships occur directly.

Regarding the effect of resources and capacities on firms' competitive strategies, remarkably our findings confirm that the possession of IR influences the development of both cost leadership and differentiation (product or service). That is, the possession of reputational, financial, human, cultural and relational and information resources support competitive strategies design by firms. According to statistical data, these IR are more significant on differentiation (β = 0.723), confirming *H4*. Similarly, *H3* is also supported by the model (β = 525 and *p*-value: 0.00). We can also assert that the importance of IR is materialized via competitive strategies (mainly cost leadership), as they do not directly affect EP and, therefore we cannot validate *H9*. In conclusion, we can say that IR are important, but channelled via strategy. Another aspect to be highlighted in the context of resources and capabilities is the direct and clear effect of ACAPs on EP (*H10*) and lack of influence on the definition of firm's competitive strategy. Therefore, the development, growth or investment by the management in this type of capabilities will not affect the strategy definition, but rather stimulate the development of international activities. So, *H5* and *H6* were no supported in our model.

Regarding the last construct of the model, EO, we have already mentioned that it direct, positive and significantly affect EP. Additionally, we confirm that it is also a highly relevant factor in the definition of firm's competitive strategy, specifically differentiation, supporting the model's first hypothesis (β = 0.189); however, it is not significant for cost leadership and *H2* was not supported. In other words, EO is important for the construction competitive advantages based on business differentiation, but not for cost leadership. This is a

remarkable aspect of our findings, as EO directly affects PE and its influence on differentiation does not have a significant effect on PE (β = 0.000). Hence, our findings did not confirm empirical support for *H7*.

6. Discussion

Successful exports are an outcome of efficient use of firm resources and capabilities that create international competitiveness. Paul *et al.* (2017) consider that SMEs lack resources and capabilities to overcome the challenges of exporting, and they are unable to achieve competitive advantage in foreign markets.

We believe that EO, IR and ACAPs are key drivers of SMEs export strategy and growth, and that these firms are indeed capable of attaining competitive advantage.

This study allowed us to conclude that EO, particularly innovation and proactiveness, has a positive and significant impact on differentiation (*H1* supported), validating previous research (Miller, 1983, Zahra and Covin, 1995). The fact that EO does not have a significant impact on cost leadership (*H2* not supported), despite being positive, is a sign that Portuguese textile SMEs seek to support and stimulate new ideas, experimentation and creativity that surely result in new products, services and processes. Indeed, technological innovation encompasses research and engineering efforts focussed on developing new products and processes. Product innovation includes market research, design and investment on advertising and promotion. Administrative innovation is related to the development of management systems, control techniques and organizational structure. Thus, embracing innovation can generate competitive advantage and promote superior source of growth (Dess and Lumpkin, 2005). On the long-run, proactive SMEs, complemented by innovative activities (Lumpkin and Dess, 1996), can be market leaders in the development of new products and technologies, rather than simply follow trends (Covin and Slevin, 1989; Miller, 1983) identify future customer needs, anticipate changes in demand and search new business opportunities (Dess and Lumpkin, 2005). Certainly, export firms need to continually search for new strategies and processes to obtain a better understanding of their new countries. These results can be explained by the particular characteristics of the textile sector. In this sense, each season firms have to launch new collections (product innovations) and try to differentiate themselves from the competition (market innovations).

Additionally, EO has a positive and significant impact on EP (*H8* supported), confirming Wiklund and Shepherd (2005) beliefs. Moreover, this confirms the commitment to innovation, supported by Lumpkin and Dess (1996) and Miller(1983), regarding the creation of new products and services, search for new opportunities and opening of new markets; and with proactiveness, as only proactive firms will be able to achieve superior performance compared to competition (Zahra and Covin, 1995).

Newbert (2007) argues that because of their rareness, IR are critical to gain competitive advantage and its ownership is an important factor in the SMEs ability to implement strategies that lead to superior performance. On this point, we conclude that globally IR have a positive and significant impact on competitive advantage, either cost leadership or differentiation (*H3* and *H4* supported). This is due to the fact that these resources are valuable, rare and inimitable and are dully organized to be converted into competitive advantage (Barney, 1995), which is why they are considered the cornerstone of competitive advantage (Peteraf, 1993), and are taken into consideration in the development and implementation of product-market strategies (Hsu and Ziedonis, 2013).

The possession of heterogeneous resources and capabilities directly affects firms' results (Makadok, 2001; Teece *et al.*, 1997), leading to performance imbalances and affecting the ability to design and implement competitive strategies (Barney, 1991; Peteraf, 1993), as previously mentioned. In this study, IR have a negative impact on EP (*H9* not supported).

However, on the opposite direction, ACAP has a positive and significant impact on EP (*H10* supported). Teece *et al.*(1997) argue that, through dynamic capabilities, firms are able to develop, integrate, reconfigure and adapt their resources and capabilities to unpredictable markets and achieve competitive advantage. In this study, it is demonstrated that our SMEs do not include dynamic (absorptive) capabilities in the formulation of their competitive strategy, as suggested Zahra and George (2002). Hence, *H5* and *H6* were not supported.

Porter (1991) states that performance is enhanced by the design of a competitive strategy, combining strategic determinants previously defined (Morgan *et al.*, 2004). In this context, and according to our findings, the competitive strategy developed to enhance EP is cost leadership (*H7b* supported) and not differentiation (*H7b* not supported). Hence, competitive strategy does indeed matters for small firms.

7. Conclusions

This paper seeks to contribute to the development of the literature on factors that influence small firms EP through a robust empirical study. The central context of this research is on SMEs, which constitute the vast majority of firms in Portugal, as in most word economies. Understanding the effects of decisions made by management in selecting strategic orientations is crucial and highly relevant to both theory and practice. Moreover, our intent is also to contribute to the ongoing scholarly conversation on the value of intangibles as strategic resources to SMEs.

Small traditional firms represent a very important part of the economic system in many European countries. Their significant contribution to the gross domestic product (GDP), national exports and job creation makes them an important policy target (Zucchella and Siano, 2014). In fact, and according to ATP, this industry in 2016 accounted for 20 per cent of industrial employment, 9 per cent of GDP and 10 per cent of Portuguese industrial exports.

We can only speculate that the Portuguese textile industry faces considerable challenges, not only regarding the economic crisis in international markets, which restricts access to resources, but also concerning consumption patterns. Furthermore, international competitiveness does not allow SMEs to develop a competitive strategy based on differentiation, changing thus their business model paradigm. Indeed, mature industries are characterized by increased competition and price deflation due to overcapacity (Parrish *et al.*, 2006). As reported by the ATP (2014), globalization pressures, such as textile trade liberalization, have considerably affected the industry. The textile sector is being subjected to strong pressures in a fast-changing business environment due to market volatility and strong competition world-wide. The key success factors of the industry are related primarily with not only cost (labour, energy and transport) but also with geographical location (flexibility, responsiveness and proximity service), knowledge (know-how, experience, technical expertise, research and development and networking) and recognition (tradition, brands and quality). Therefore, we acknowledge that the sector is developing strong differentiation factors. Firms in these mature markets must look for ways to stay competitive and develop strategies that enable them to differentiate themselves from other firms.

7.1 Theoretical and practical implications

Our study is responsive to the call of Sousa *et al.* (2008), which suggests that, in international market context, firms' survival and expansion, and consequent economic growth of many countries, is strongly dependent on a better understanding of the strategic determinants that influence EP.

Moreover, our study confirms the important complementarity of IR and dynamic capabilities, thus not diverging from RBV and DCV (Ambrosini and Bowman, 2009; Barreto, 2010; Eisenhardt and Martin, 2000; Wang and Ahmed, 2007).

We also highlight the contribution of this study to the theory of strategic management. It is known that strategy includes deliberate and emergent initiatives adopted by management, comprising resource and capabilities used to improve business performance (Nag *et al.*, 2007). To remain competitive, firms must assess which strategic determinants give them an advantage over their competitors. The findings are a contribution to clarify the influence of EO, IR and ACAPs in small firms EP.

Additionally, our work can serve as a reliable reference guide to business practitioners at SMEs that are focussed on exports activities. Our findings provide guidance to, as they indicate that EO, IR and ACAPs are predictors of competitive strategies and performance. The research has also shown the positive influences of generic strategies on firm performance. So, for small firm managers, competitive strategy does matters and the development of one type of competitive advantage, alongside with firm's resources, is a major performance driver.

Firms are a bundle of resources and capabilities (Peteraf, 1993), it is essential to understand and identify which resources are relevant to gain competitive advantage and superior performance. Business owners must be able to systematically analyse the changes that arise in their target market(s) and to incorporate this knowledge into their processes, to identify the present and future needs and market trends, anticipate changes in demand and seek new business opportunities.

By building on the literature entrepreneurship and strategic management, this study aims to support the strategic development of business management policies designed to increase firms' performance in foreign markets and add value to the current context of change.

7.2 Research limitations

While this research provides valuable insights into SMEs in the textile industry, the study is not without its limitations. First, the state of the economy might have affected our results. The low scores of willingness to take risks might be influenced by the current context of economic crisis. In fact, in a turbulent market, risk-taking is negatively associated to SME performance (Kraus *et al.*, 2012) and is in fact related to firm failure (Lechner and Gudmundsson, 2014). Second, it would have been interesting to control our analysis. The fact that the research does not consider the effect of control variables such as age, location and target market of the respondents can be seen as a limitation. Third we used an online study to collect our data. While electronic data collection methods are becoming more common, strategies to encourage a greater response rate are lacking compared to other survey implementation methods. Finally, the fact that the sampling is non-probabilistic and convenience one is indeed a limitation. Therefore, we advise prudence in the generalization of results.

7.3 Future lines of research

First, this study has been based on a mature sector, as is the textile sector in Portugal. The results obtained should be understood in this context. For this reason, new research could be done in more modern industries to test again the proposed relations. Second, given the irregular nature of business growth, a snapshot survey may not be able to capture strategy and performance variations over long periods. As such, further studies with a longitudinal perspective would be of added value to investigate why these differences persist. In other words, to find how and why some small exporters become highly successful, while others, in the same industry, struggle to raise their export strengths.

Third, there are several moderators and mediators that could affect the EO, IR and ACAPs–performance relationship. Potential variables include firm age, environmental dynamism, national or organizational culture, organizational structure (formalization), organizational engagement, export intensity and diversification.

Finally, another area of future research could be to understand the antecedents of the EO, IR and ACAPs–performance relationship. Variables such as transformational leadership, market orientation or costumer orientation are research possibilities to develop frameworks, models and theories.

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