



Strategic Direction

Improving international competitive strategy: The importance of managerial ties when considering a standardized or customized approach

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Improving international competitive strategy

The importance of managerial ties when considering a standardized or customized approach

For any organization engaged internationally, direct effects on performance and competitive advantage are typically simple to identify and address. A response to a direct pressure or threat may come in various forms. A differentiation strategy is used to provide products or services to customers that are perceived as unique and tailored to their needs. A low-cost strategy is used to undercut rivals in pricing and gain a larger market share. When there is no obvious direct market pressure or threat there can be issues relating to how an organization should respond. As such, organizations need to consider contingency theory, in order to know what to do when there is no direct effect on international competitive strategy on export performance. A contingency approach can be useful for an organization in order to generate market theory when there is no direct effect. Of particular interest is what effect managerial ties (MTs), such as business or political ties, have on the international competitive strategy-export performance framework.

Chung and Kuo (2018) have identified business and political ties as having conflicting effects on this framework. Business ties, those that involve buyers, suppliers, distributors, and competitors, are seen to have a positive moderation effect on international competitive strategy-performance. Political ties, such as those between an organization's executives and government officials (political leaders, officials in industry bureaus, or regulatory and supporting organizations) are believed to have a negative effect. Chung and Kuo (2018) have focused on the contingency performance strategy from developing regions (China) to a developed economic setting (EU).

The strength of an incoming organization into a new market

For an organization in China looking to fully exploit the market in the EU, they need full knowledge of current consumption trends and behaviors in the host countries. In this sense, business ties can be seen as a definitive advantage. Such ties are able to help an incoming organization gain this knowledge. By using these ties and an export market orientation (EMO), foreign organizations can gain a competitive advantage over host organizations. An Chinese organization looking to export into the EU can develop an international differentiation strategy, whereby their products are quickly accepted by the local customers, and they are able to maintain an advantage of speed over their local competitors. Here, an international differentiation strategy mixed with business ties can produce a significant competitive advantage. This is also the case when looking at low-cost strategies. Here, knowledge of the host market is key to

understanding both what products or services are needed, how the consumers view the market, and what prices will undermine the competition effectively. A new entrant to the marketplace needs as much information as possible in order to construct an efficient system to be competitive.

Political ties are typically costly to develop and maintain. Huge resources are needed by organizations to legally cultivate relationships with political figures, both financially and in terms of time. Such use of resources can be seen largely as a waste, when their use elsewhere would help improve performance in other ways. For large organizations with considerable resources to spare, political ties can be the only way left to gain any additional advantage. But for organizations coming from developing nations, they are not usually beneficial. There is also the added danger of the host nation's political figures becoming pressured to seem tough with foreign investments and organizations exporting to their country. In these cases, any resources used to gain political ties can end up wasted. This can be a significant barrier to low-cost strategies, as local political figures are often under pressure to demonstrate a support for local organizations and resources. They are not typically reelected when they support the introduction of new organizations that cause local organizations to lay off workers or shift their base of operations.

The results

As such, [Chung and Kuo \(2018\)](#) pose the following hypotheses, followed by the findings:

- H1a.* Business ties positively moderate the effect of differentiation on export financial performance (not confirmed);
- H1b.* Business ties positively moderate the effect of differentiation on export strategic performance (supported);
- H2a.* Political ties negatively moderate the effect of differentiation strategy on export financial performance (supported);
- H2b.* Political ties negatively moderate the effect of differentiation strategy on export strategic performance (not confirmed);
- H3a.* Business ties positively moderate the effect of low-cost strategy on export financial performance (supported);
- H3b.* Business ties positively moderate the effect of low-cost strategy on export strategic performance (refuted);
- H4a.* Political ties negatively moderate the effect of low-cost strategy on export financial performance (supported);
- H4b.* And political ties negatively moderate the effect of low-cost strategy on export strategic performance (not supported).

As such, business and political ties are able to function as valuable contingent variables, in the absence of direct effects, on the international competitive strategy-export performance framework. They do, however, need to be used in the right way at

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the right time, to avoid exacerbating a situation further. It is important also to note that these are considered only from the point of view of an export organization coming from a developing nation to a developed market place. What is clear is that, in general, business ties have a positive effect, whereas political ties do not, although there are nuances that require future consideration. It is not always the case that MTs will have a positive effect, and so their implementation should always be conducted within a framework of full knowledge.

Comment

The review is based on 'When and how managerial ties matter in international competitive strategy, export financial and strategic performance framework: A standardized or customized approach?' by Henry F. L. Chung and Tsuang Kuo, published in the *European Journal of Marketing*.

Reference

Chung, H.F.L. and Kuo, T. (2018), "When and how managerial ties matter in international competitive strategy, export financial and strategic performance framework: a standardized or customized approach?", *European Journal of Marketing*, Vol. 52 Nos 1/2, pp. 260-278.

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