



The effect of local institutions on the competitive strategies of exporters. The case of emerging economies in Latin America

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ABSTRACT

This paper analyzes the effect of local institutions and market orientation on the export performance of Latin American firms when they implement generic competitive strategies. A specific questionnaire sent to 201 executives of exporting manufacturing and service companies in Brazil, Chile, Mexico, and Peru generates the data for this research. Then, confirmatory factor analysis is used to develop the underlying multi-item constructs, and a structural equation model tests the hypotheses. The results state that local institutions, directly and indirectly, affect export performance through the marketing orientation of firms, and marketing orientation mediates the implementation of the differentiation strategy but not the cost-based leadership strategy. The findings suggest that firms with differentiation strategies benefit more from strong local institutions.

1. Introduction

Exporting is one of the most common ways for emerging-economy companies to make a profit in the short term while also contributing to their country's development. Most research about exporting is done in developed economies, considering external and internal factors (such as market information, experience, and funding sources) (Aulakh et al., 2000; Gertner et al., 2010; Yong et al., 2010; Carneiro et al., 2011). However, exporting performance in emerging economies has only attracted a limited number of studies given the importance of exports for the survival of many firms (Aulakh et al., 2000; Peng et al., 2008, 2009; Parnell, 2010; Yong et al., 2010; Heredia et al., 2018a).

The implementation of export strategies in emerging economies like Latin America constitutes an essential aspect of the relationship between competitive strategies and export performance (Aulakh et al., 2000). Strategy failures occur more frequently in the implementation phase than in the conceptualization or formulation phases, which reduces the firm's performance (Aulakh et al., 2000; Ortega, 2010; Voola & O'Cass, 2010; Parnell, 2011). Moreover, export performance reflects the heterogeneity among exporting companies, mainly due to the differences in implementing competitive strategies (Aulakh et al., 2000; Katsikeas et al., 2000; Dhanaraj & Beamish, 2003; Leonidou et al., 2010).

There are multiple key factors influencing the implementation of competitive strategies in Latin America, such as innovative capacity, marketing, operating skills, and the quality of management (Brenes et al., 2008, 2014; Pillania & Kazmi, 2008). The analysis of local institutions, institutional quality, and their effects on international competitiveness is a topic of growing interest that has been approached from different theoretical and practical perspectives (Buitrago & Barbosa, 2021), and it has been demonstrated that the variation in institutional forces within industries impacts the outcomes for firms (Elango & Dhandapani, 2020). However, no research has identified the effect of local institutions during the implementation of competitive strategies and their impact on export performance in emerging economies (Chabowski & Mena, 2017; Ipek & Tanyeri, 2020). Competitive strategies, such as cost-based leadership and differentiation, are primarily used in studies on emerging economy implementation strategies as reflections of firms' behaviors and strategic choices (Aulakh et al., 2000; Gao et al., 2010; Parnell, 2008, 2010; Brenes et al., 2014), with limited sophistication in the options available to firms (Heredia et al., 2017, 2018a, 2018b). These strategies directly affect the market orientation adopted by a company (Homburg et al., 2004; Wang & Ahmed, 2007; Voola & O'Cass, 2010; Kharabsheh et al., 2015). In strategic management, market orientation is defined as the strategic direction of a firm toward

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markets (Hakala, 2011), and market orientation is a critical behavior that influences the implementation of a firm's strategy (Kharabsheh et al., 2015).

However, capabilities (Morgan et al., 2009; Gao et al., 2010) together with company resources (Barney, 2001; Dhanaraj & Beamish, 2003; Kunc & Morecroft, 2010; Murray et al., 2011) are also necessary to substantiate the observed performance of a firm (Katsikeas et al., 2000). Prior literature has concluded that market orientation has mediating value in implementing strategies (Voola & O'Cass, 2010; Kharabsheh et al., 2015). However, most of these studies only considered a single country in their analyses, and they did not consider Latin American countries as an example of emerging economies with particular local institutions (Heredia et al., 2018a; Jimenez & Geldes, 2019).

On the one hand, the international competitiveness of an emerging economy is related to institutions and institutional quality (Buitrago & Barbosa, 2021). From the institutional perspective, the quality of institutions directly affects the firm's formulation and implementation of strategies and the firm's export performance (Ngo et al., 2016; Brenes et al., 2018). The institutional effect captures the complicated relationship between organization and environment in emerging economies, which can be defined as "the rules of the game" (Wright et al., 2005; Peng et al., 2008; Hoskisson et al., 2000; Gao et al., 2010; Kallas et al., 2015; Thomé & Medeiros, 2016). On the other hand, market orientation is a client-centric concept that ignores other essential stakeholders in emerging economies, such as formal institutions (regulators) and formal and informal competitors (unregistered firms) (Vassolo et al., 2011; Chabowski & Mena, 2017; Heredia et al., 2017, 2018a, 2018b). Therefore, there is a tension between two forces—institutions and market orientation—that can affect the export performance of companies in emerging economies.

Given the background described above, this study considers the main research question: Do local institutions (LI), when market orientation (MO) is considered, affect export performance (EP) in the implementation of competitive strategies of Latin American firms? In addition, other questions are derived from the main research question, such as: Are differentiation strategies more market-oriented than cost-based strategies? Does MO mediate the relationship between competitive strategies and EP of firms? Does MO mediate the relationship between LI and the EP of firms? To answer the questions, a theoretical model is proposed and evaluated with confirmatory factor analysis, and the hypothesis is tested with a structural equation model. The data come from a survey of 201 executives from Brazilian, Chilean, Mexican, and Peruvian exporting manufacturing and service firms.

This paper examines how local institutions and market orientation affect the export performance in implementing competitive strategies in Latin American countries as examples of emerging economies. It finds that, in implementing competitive differentiation and cost leadership strategies for Latin American exporting firms, only the differentiation strategy has a direct relationship with innovative performance, which is mediated by marketing orientation. Also, local institutions have a positive effect on firms' marketing orientation and export performance, which shows that local institutions play a key role in export strategies. These findings remain the same even in different groups of firms. The following sections present the theoretical framework, the methodology and data, the results and discussion, and the conclusions and implications.

2. Theoretical framework

Different studies incorporated the importance of resources and capabilities in implementing competitive strategies and their influence on marketing orientation and performance. However, they did not include the effects of local context that must be considered in the evaluation of strategy implementation, especially in emerging economies such as Latin American countries, with different local institutions (Homburg et al., 2004; Voola & O'Cass, 2010; Rock & Ahmed, 2014; Kharabsheh

et al., 2015). Two critical issues neglected in the extant research are the institutional effect (Peng et al., 2009; Kallas et al., 2015) and the institutional-based view (Peng et al., 2009; Lloret, 2016; Thomé & Medeiros, 2016). For example, Viglioni et al. (2020) indicate that the level of government support for innovation and business cooperation is frustrating in Latin American and Caribbean countries compared to OECD and "Asian Tiger" countries although exporting activities increase as firms have more experiential knowledge in Latin American countries (Geldres-Weiss et al., 2016).

Moreover, Malca et al. (2020) highlight the positive role of export promotion programs in emerging economy firms' export performance. In this sense, Geldres-Weiss and Monreal-Pérez (2018) analyze the role that public export promotion programs played for companies in Chile. It is observed that participation in trade fairs has positive effects on the growth of export sales, unlike participation in trade missions. Also, export promotion agencies continued to play a critical role despite the difficulties of the COVID-19 pandemic (Geldres-Weiss et al., 2021). In this vein, seeking to integrate the view of the relationship between internationalization and firm performance with the "institution-based view" of strategy, Marano et al. (2016), indicate that a country's local institutions affect the strength of the relationship between internationalization and performance. In addition, they highlight the importance of including formal and informal institutions in the analysis to extend the understanding of the effects of institutional complexity.

Although there are precedents in the effects of "local institutions", also known as "home country institutions", on the development of export strategies and the export performance of companies, less attention has been paid to the implementation of generic cost leadership differential strategies, especially in emerging economies where exporting firms play an important role. The related hypotheses guiding this study are set out below.

2.1. Implementation of a competitive strategy

One of the critical aspects of successfully implementing a competitive strategy is a company's market orientation (Cacciolatti & Lee, 2016; Papadas et al., 2019). There is extensive research on the conceptualization, definition, and impact of market orientation on business performance (Hult et al., 2005; Connor, 2007; Ketchen et al., 2007; Kharabsheh et al., 2015). Market orientation represents a specific firm-level capability (Kumar et al., 2011; Kharabsheh et al., 2015) that enables an organization to identify the requirements of the markets and develop other capabilities, such as innovation capabilities (Kirca et al., 2005), that connect the organization to its external environment. Market orientation helps firms to achieve a competitive advantage when they implement export strategies (Grönroos, 2004; Kirca et al., 2005; Ketchen et al., 2007). Firms that follow differentiation strategies emphasize the development of new and unique products and services (Porter, 1985; Brenes et al., 2014). On the other hand, cost-based leadership companies focus more on lowering the price they need to increase their internal coordination capacity thus increasing their operational efficiency, and less on customer-focused innovation (Kumar et al., 2002). Thus, differentiation strategies employ substantial market orientation (MO) compared to cost-based strategies. Based on the above literature, this paper hypothesizes the following:

H1: Differentiation strategies employ market orientation compared with cost-based strategies in Latin America's countries.

There are two perspectives on MO: behavioral and cultural (Kirca et al., 2005). From a behavioral perspective, MO is a firm's capacity that allows the generation and dissemination of market intelligence to guide the formulation of a competitive strategy (Ketchen et al., 2007). From a cultural perspective, MO is the generation of policies that orient the organization to generate new resources or capabilities according to the competitive strategy to be implemented (Brenes et al., 2008).

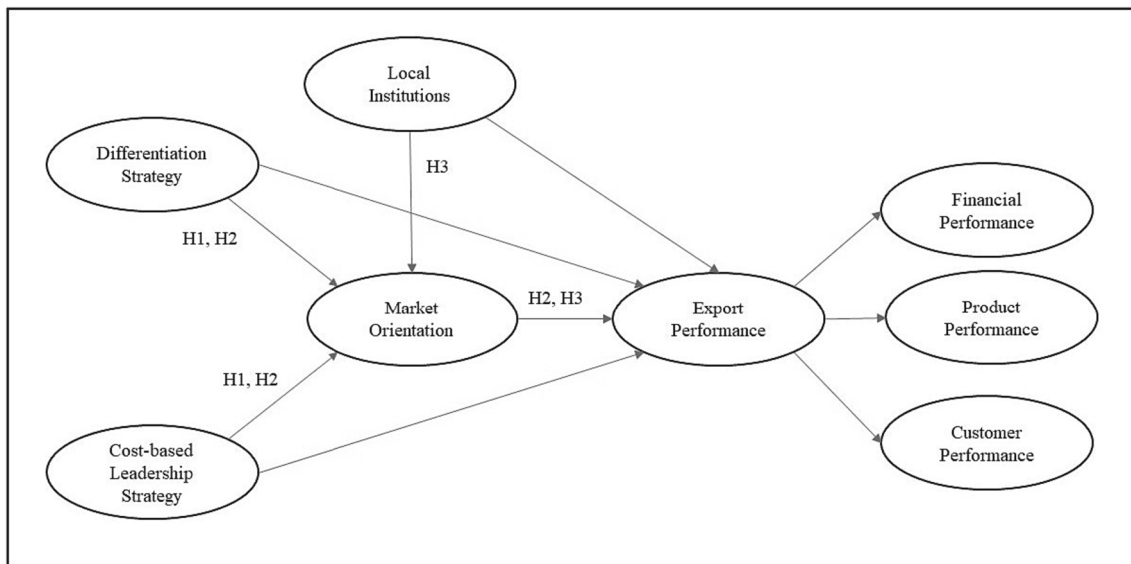


Fig. 1. Theoretical model.

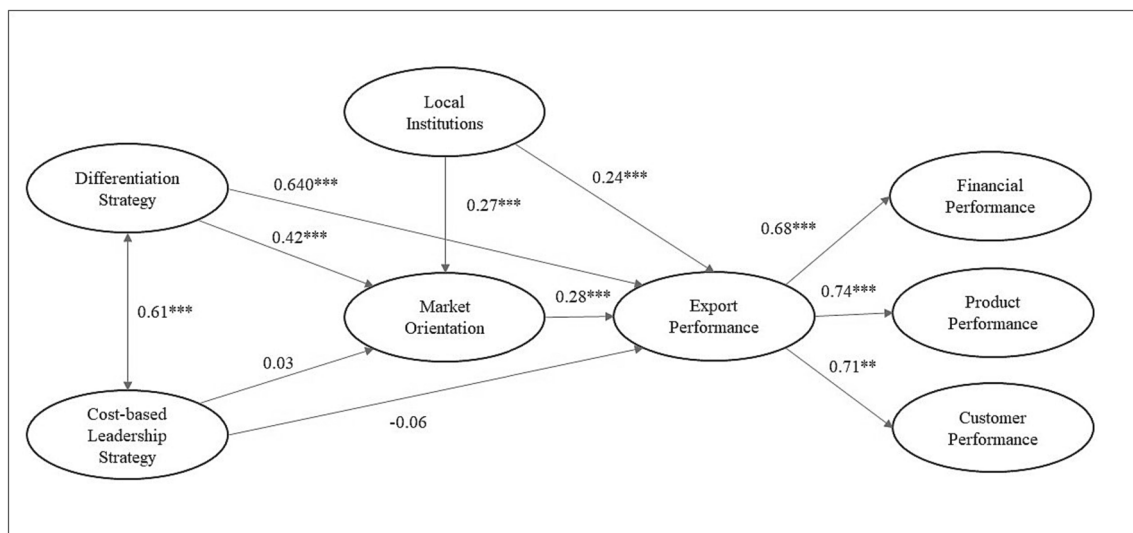


Fig. 2. SEM Model. ***99%, *95%, *90% statistical significance.

One of the critical resources for implementing a competitive strategy is the ability of the manager to identify and make decisions about the strategic resources for implementing the competitive strategy (Brenes et al., 2014; Kunc & Morecroft, 2010). These decisions must be transformed into policies that define the organization's culture and guide firm members to act in the established strategic direction. The cultural perspective of MO is the foundation for the development of new resources and activities that lead to implementing the competitive strategy (Golgeci & Gligor, 2017) and increasing their performance (Cano et al., 2004; Brenes et al., 2008; Kunc & Morecroft, 2010; Kaliappen & Hilman, 2014; Rungsithong et al., 2017).

On the other hand, Rua et al. (2018) highlight the contribution of strategic determinants that influence export performance by considering the mediating effect of competitive strategy. In particular, their findings suggests that entrepreneurial orientation positively affects differentiation strategy and export performance. In addition, they highlight the role of intangible assets in differentiation and cost-based leadership strategies. According to Falahat et al. (2020), three export capabilities lead to the competitive advantage of exporting firms: market intelligence capability, product innovation capability, and pricing capability.

Moreover, competitive advantage only acts as a mediator between pricing capability and the international performance of small and medium-sized firms.

In summary, the company first needs to establish policies (e.g., market orientation) that guide its strategies, then develop new resources or capabilities (e.g., product innovation) to implement its competitive strategies to increase its competitive advantage. Therefore, we also hypothesize the following:

H2: Market orientation has a mediating role between competitive strategies and the export performance of companies in Latin American countries.

2.2. Local institutions in the implementation of competitive strategies

Institutional “rules of the game” significantly impact firm performance, particularly in emerging economies where companies require institutional support in their early stages (Meyer & Peng, 2016; Buitrago & Barbosa, 2021). The transaction cost theory complements the institutional approach by explaining that a better quality of institutions

Table 1
Main characteristics of the sample.

Characteristics	Peru	Chile	Mexico	Brazil
<i>Industries</i>	100.00% (45)	100.00% (23)	100.00% (91)	100.00% (42)
Agriculture and Fishing Sector	40.00% (18)	21.74% (5)	15.38% (14)	4.76% (2)
Services Sector	0.00% (0)	21.74% (5)	10.99% (10)	54.76% (23)
Manufacturing of durable goods	28.89% (13)	43.48% (10)	45.05% (41)	26.19% (11)
Manufacturing of non-durable goods	31.11% (14)	13.04% (3)	28.57% (26)	14.29% (6)
<i>Type of Export Business</i>				
Firms B2B	11.11% (5)	60.87% (14)	39.56% (36)	71.43% (30)
Firms B2C	88.89% (40)	39.13% (9)	60.44% (55)	28.57% (12)
<i>Export Destination</i>				
Developed Economies	82.22% (37)	65.52% (15)	80.22% (73)	54.76% (23)
Developing Economies	17.78% (8)	34.78% (8)	19.78% (18)	45.24% (19)
<i>Average</i>				
The average number of employees in a firm (S.D)	237.98 640.26	747.04 2048.81	318.71 758.11	89.33 184.22
The average number of firm's export experience (S.D)	12.51 10.18	21.87 31.90	14.62 11.15	14.40 7.91

(a) Absolute values are presented in parentheses.

(b) S.D. – Standard deviation.

reduces opportunities for opportunism and instability, which reduces the firm's transaction costs. Good institutional quality (free trade, respect for property rights, and control of corruption) decreases instability, uncertainty, and opportunity by reducing a firm's transaction costs (Faruq, 2011; Chabowski & Mena, 2017; Brenes et al., 2018). Therefore, it allows the company to focus its resources on increasing its market orientation, leading to more competitive advantage and higher performance.

Institutions fundamentally shape the strategies and behaviors of firms in emerging economies because they are sources of uncertainty and external resources, especially in Latin America (Kallas et al., 2015; Ngo et al., 2016; Heredia et al., 2017, 2018a). In this sense, Marano et al. (2016) highlight the need to include formal and informal institutions to understand the home country's effect on the internationalization of firms. Additionally, Krammer et al. (2018) state that emerging economy firms' export performance depends on their specific capabilities and the home institutional environments (local institutions). Specifically, political instability and informal competition have robust effects on the export propensity of emerging economy firms.

Government policies and trade agreements reinforce the relationship between implementation strategies and performance, which leads to the concept of a "strategy tripod," representing the integration of the institutional perspective with the internal perspective of a firm. The firm's export performance is influenced by local institutional effects (Faruq, 2011). According to institutional theory (Peng et al., 2008; Gao et al., 2010; Thomé & Medeiros, 2016), government support, such as export promotion (Shamsuddoha et al., 2009; Leonidou et al., 2011), affects marketing strategies and the export performance of the firm (Korey, 1995; Grönroos, 2004; Chailom & Kaiwinit, 2010; Malca et al., 2020). Government promotion is a component of local institutional enablers (Peng et al., 2008) which affect market orientation during the implementation of strategies (Homburg et al., 2004; Wang & Ahmed, 2007; Voola & O'Cass, 2010; Kharabsheh et al., 2015). Both market orientation and government promotion increase the competitive advantage and performance of the firm (Chabowski & Mena, 2017). Hence, this paper hypothesizes the following:

H3: Market orientation mediates the relationship between firms' local institutional and export performance in Latin America's countries.

In sum, the effect of institutional context (LI) on export performance (EP) in Latin American firms is explained using a theoretical model that considers the mediating role of MO in implementing competitive strategies (Fig. 1).

3. Data and methodology

The next section presents the sample and data collection and the theoretical model's construction.

3.1. Sample and data collection

This study collected primary data through a survey of executives from exporting companies in Brazil, Chile, Mexico, and Perú. With almost 400 million people, these countries account for 60.19% of the total population, 66.14% of GDP, and 83.2% of exports in Latin America and the Caribbean (ECLAC, 2021). The survey targeted executives of exporting companies, excluding subsidiaries (Aulakh et al., 2000; Hoskisson et al., 2000; Gao et al., 2010), using an email personalization strategy (Sánchez-Fernández et al., 2012) and high-frequency contact (every seven days) (Muñoz et al., 2010). A total of 4311 emails (one email per company) were sent to executives responsible for export strategies. Although we obtained 262 responses, only 201 responses were usable. Table 1 summarizes the main characteristics of the sample.

3.2. Theoretical model

The theoretical model proposed is built on exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) (Edwards, 2010; Hair et al., 2013). The hypotheses are tested with Structural Equation Modeling (SEM). The measurement variables (factors) are obtained from the literature. The dependent variable, EP, is a second-order construct composed of five factors: "Financial Performance," "Strategic Performance," "Product Performance," "Customer Performance," and "Distributor Performance" (Aulakh et al., 2000; Hult et al., 2008; Gao et al., 2010; Voola & O'Cass, 2010). However, according to the EFA and CFA models, only three of these factors apply to this study: "Product Performance," "Customer Performance," and "Financial Performance." These factors are consistent with previous studies on emerging economies (Aulakh et al., 2000; Gao et al., 2010; Gertner et al., 2010; Voola & O'Cass, 2010; Carneiro et al., 2011).

Concerning the independent variables, the constructs' competitive-based cost leadership and differentiation strategies are measured according to previously validated scales (Aulakh et al., 2000; Gao et al., 2010; Voola and O'Cass, 2010; Brenes et al., 2014). The measurement of MO is based on previously validated scales and consists of two constructs: "reactive market orientation" (oriented to the actual needs of the client) and "proactive market orientation" (oriented to the possible needs of the client) (Voola & O'Cass, 2010). After processing the data and executing the EFA and CFA models, these two factors are collapsed into one named MO (Table 2).

In the case related to the effect of institutions abroad, as presented by Chao and Kumar (2010), the construct "Local Institutional" refers to the impact of local institutions on a firm's exports (Faruq, 2011). In addition, the cases of Peru, Chile, México, and Brazil are considered separately because this allows us to capture the institutional context's variability to evaluate each one's impact on the firm export performance. Including these countries allows this limitation of previous studies that consider only one country in their analysis of emerging economies to be overcome (Kallas et al., 2015).

Table 2
Variables in the proposed model.

Construct/ Variable	Description	Peru _(a)	Chile _(a)	México _(a)	Brasil _(a)	N	Average	S.D.
Differentiation Strategy								
ECD_22_1	Our firm is the first in marketing a new product.	4	4	5	4	201	3.64	1.81
ECD_22_2	Concerning the competition, our firm is always at the forefront of technological innovation.	4	2	5	3	201	4.01	1.87
ECD_22_3	Our organization differentiates from the competition by offering quality products.	7	5	7	5	201	5.44	1.59
Cost-based Leadership								
ECC_23_1	Our organization emphasizes the reduction of costs in all of its business activities.	6	7	7	5	201	5.00	1.69
ECC_23_2	Our organization invests mainly in big projects to achieve scale economies.	2	4	5	3	201	4.07	1.82
ECC_23_3	Our organization has a low-prices strategy, unlike our three main competitors.	3	2	2	4	201	3.58	1.80
Local Institutions								
ELI_11_1	Private Property Rights	4	6	5	5	201	4.90	1.50
ELI_11_2	Free Trade	6	7	7	5	201	5.53	1.50
ELI_11_3	Government Action	5	6	5	5	201	4.42	1.54
ELI_11_4	Control of Corruption	4	6	3	4	201	3.79	1.78
Market Orientation								
OMR_24_1	We constantly monitor our level of commitment and service orientation toward our customers' needs.	6	6	6	6	201	5.27	1.51
OMR_24_2	The strategy of our competitive advantage is based on the understanding of our customers' needs.	6	6	6	6	201	5.46	1.35
OMR_24_3	We are more focused on our customers than on our competitors.	6	6	7	6	201	5.45	1.43
OMR_24_4	Data related to customers' levels of satisfaction are diffused at all levels of the company.	5	7	7	7	201	4.93	1.75
OMR_24_5	If an important competitor carries out an intense campaign targeting our foreign customers, we would implement an effective response.	6	6	5	4	201	4.59	1.83
OMP_25_1	We continuously try to discover additional needs of our clients, even subconscious ones.	5	7	6	6	201	5.07	1.54
OMP_25_2	We implement solutions in our products and services to address the future needs of our clients.	5	6	6	6	201	5.13	1.48
OMP_25_3	We work very closely with our customers to try to recognize their needs; this is months or even years before our competitors do.	5	6	6	6	201	4.81	1.61
OMP_25_4	We innovate even if we run the risk of producing obsolete products.	5	2	6	4	201	4.13	1.77
Financial Performance								
DEF_14_1	Profitability	4	5	5	4	201	4.06	1.45
DEF_14_2	Sales volume	4	6	5	3	201	3.92	1.57
DEF_14_3	Growth rate	4	5	4	3	201	4.05	1.63
DEE_15_1	Global competitiveness	5	5	4	4	201	4.08	1.48
DEE_15_2	Strategic positioning strengthening	5	5	5	4	201	4.19	1.43
DEE_15_3	Global market participation	3	5	4	3	201	3.61	1.64
Product Performance								
DEP_16_1	Number of successful new products	4	5	4	5	201	3.94	1.88
DEP_16_2	Speed of launching new products to the market	4	5	4	3	201	3.65	1.75
DEP_16_3	Product Innovation	5	6	5	3	201	3.94	1.76
Customer Performance								
DEC_17_1	Relationship with our final customer	6	6	5	5	201	5.00	1.51
DEC_17_2	Firm's prestige according to our clients	6	6	6	6	201	5.44	0.138
DEC_17_3	Final customer fidelity	5	6	5	7	201	5.08	1.60
DED_18_1	Relationship with our suppliers	5	6	4	6	201	5.27	1.39
DED_18_2	Prestige of our company according to our suppliers	6	7	6	6	201	5.56	1.28
DED_18_3	Fidelity of our firm's distributor	6	6	6	6	201	5.28	1.34
DED_18_4	Satisfaction with the services and goods we provide	6	6	6	6	201	5.58	1.08

(a) Average value by country.

3.3. SEM model

To build the SEM model, in the first part, the construct (latent variables) is validated with the following tests: (i) reliability (Cronbach's $\alpha > 0.7$; construct reliability (CR) > 0.7); (ii) convergent validity (standardized factor loading (FL) > 0.5 ; average variance extracted (AVE) > 0.5); and (iii) discriminant validity (AVE $>$ maximum shared variance squared (MSV); AVE $>$ average variance shared square (ASV)). In the second part, the SEM model is evaluated for "minimum" and "good" fit of the model according to the following indicators: CMIN/df (2x3; x2); NFI (x > 0.90 ; x > 0.95); CFI (x > 0.95 ; x > 0.99); and RMSEA (2x3; x2) (Hair et al., 2013). Complementarily, we analyze the possible mediation of "Market Orientation" in the two relationships: between "Competitive Strategies" and "Export performance" and "Local Institutions" and "Export Performance." First, two regression models are fitted: the mediator is regressed on the exposure variable adjusted for covariates, and a second in which the outcome is regressed on the

exposure and mediator variable adjusted for covariates. Predictions from these models are then used within a Monte Carlo framework to calculate the total, indirect, and direct effects (Hicks & Tingley, 2011; Cheon & MacKinnon, 2012; Hayes, 2017).

4. Results

The SEM satisfies the model fit indicators, and the latent variables are statistically validated (Table 3).

The results of the relationships in the SEM model are displayed in Fig. 2. Specifically, the Differentiation Strategy is positively correlated to MO (0.42***) and the Cost-Based Leadership Strategy is not statistically related; thus, Hypothesis 1 is not rejected. In addition, the Differentiation Strategy has a direct and indirect significant effect on Export Performance through the MO. Table 4 shows the direct, indirect, and total effects of the competitive strategies, and the results are supported by previous studies (Voola & O'Cass, 2010; Kharabsheh et al., 2015).

Table 3
SEM Model.

Latent variable	FL	AVE	CR	MSV	ASV
Differentiation		0.66	0.79	0.39	0.21
Leadership					
ECD_22_1	0.71				
ECD_22_2	0.90				
Cost-Based Leadership		0.49	0.64	0.23	0.16
ECC_23_1	0.50				
ECC_23_2	0.85				
Local Institutions		0.50	0.75	0.18	0.14
ELI_11_1	0.60				
ELI_11_3	0.81				
ELI_11_4	0.69				
Marketing Orientation		0.73	0.89	0.38	0.21
OMP_25_1	0.88				
OMP_25_2	0.91				
OMP_25_3	0.76				
Export Performance		0.51	0.76	0.55	0.34
Product Performance	0.74				
Financial Performance	0.69				
Customer Performance	0.72				
Product Performance		0.83	0.90		
DEP_16_1	0.94				
DEP_16_2	0.88				
Financial Performance		0.66	0.88		
DEE_15_1	0.66				
DEE_15_2	0.86				
DEE_15_3	0.95				
DEF_14_3	0.74				
Customer Performance		0.74	0.90		
DED_18_2	0.90				
DED_18_3	0.89				
DED_18_4	0.08				
Model fit (indicators)	CMIN/df	GFI	CFI	RMSEA	AGFI
Model	1.77	0.89	0.95	0.06	0.86
Minimum fit	2 < X < 3	0.90	0.95	0.05 < X < 0.1	0.80
Good fit	X < 2	0.95	0.99	X < 0.05	0.85

Therefore, the mediating effect of MO on strategy implementation in Latin American companies is verified only for the Differentiation Strategy. Hence, Hypothesis 2 is not rejected.

Additionally, Local Institutions are positively related to MO (0.270**) and Export Performance (0.240**) lending support to Hypothesis 3 and confirming that MO mediates the relationship between Local Institutions (LI) and Export Performance. Thus, Table 4 states that LI had a significant direct on Export Performance through MO, so the effect of LI on Export Performance is provided through the development (or not) of specific capabilities as MO while implementing competitive strategies. Therefore, it is determined that firms achieve better performance in countries with more stable local institutions, allowing companies to focus on their markets. In this way, firms can focus on inner resources (market orientation) through efficient resource allocations to achieve better performance.

4.1. Robustness test

Previous studies have shown that institutions affect companies in the same industry differently, which explains why firms react differently to

Table 4
M.O and E.P: total, direct, and indirect effects.

Total Effects (standardized)	Local Institutions	Cost-based Leadership	Differentiation Leadership	Mkt Orientation	Export Performance
Mkt_Orientation	0.271	0.026	0.415	0	0
Export_Performance	0.314	-0.05	0.755	0.277	0
Direct Effects (standardized)	Local Institutions	Cost-based Leadership	Differentiation Leadership	Mkt Orientation	Export Performance
Mkt_Orientation	0.271	0.026	0.415	0	0
Export_Performance	0.239	-0.057	0.64	0.277	0
Indirect Effects (standardized)	Local Institutions	Cost-based Leadership	Differentiation Leadership	Mkt Orientation	Export Performance
Mkt_Orientation	0	0	0	0	0
Export_Performance	0.075	0.007	0.115	0	0

institutional changes in emerging economies (Kallas et al., 2015). To analyze the variation of the structural coefficients of the model, we performed SEM by groups, considering the main characteristics of the firm that have been studied and that influenced its export performance: type of business (Business to Business or Business to Consumers), type of sector (manufacturing and non-manufacturing), and type of economy of the country of export destination (developed and developing) (Aulakh et al., 2000; Katsikeas et al., 2000; Hayes, 2017). Table 5 shows the degree of adjustment of the structural model by groups. The adjustment parameters are acceptable (Hayes, 2017).

Table 6 summarizes the direct and indirect effects of the model for each group. Mainly, there are different effects between differentiation strategies, MO, and Export Performance. Consequently, Hypothesis 2 is accepted. LI also has direct and indirect effects on Export Performance and MO for all analysis groups (Table 7). Then, Hypothesis 3 is not rejected. Finally, in all the analysis groups, the total effect of the differentiation strategy on export performance is higher than cost strategies, so Hypothesis 1 is not rejected in the group analysis.

The results of the analysis by group suggest that MO mediates in the implementation of competitive strategies, especially in the case of differentiation strategies. The result indicates that MO is a strategic capacity that facilitates the company's adaptation to different external and internal conditions to increase its export performance (Dobni & Luffman, 2003; Hult et al., 2005). Finally, LI affects the export performance of Latin American firms, supporting the implementation of competitive strategies regardless of the group studied.

5. Discussion and implications

The SEM model shows that implementing a differentiation strategy significantly affects export performance. In contrast to previous studies (Voola & O'Cass, 2010), cost-based leadership strategies do not significantly affect export performance. The validation of the model confirms that differentiation strategies have a more significant impact on export performance than cost-based leadership strategies. This finding is important for exporting firms in emerging economies, which are strongly oriented toward commodities and adopt a cost-based strategy because they can improve their performance if they develop the capacity for market orientation and implement a differentiation strategy (regardless of the type of firm line of business or economic trend). In this sense, developing policies that promote and facilitate the export and

Table 5
The goodness of fit for Analysis by groups.

Model Indicators	CMIN/df	GFI	CFI	RMSEA	AGFI
Base model	1.588	0.828	0.925	0.05	0.768
B2B	1.568	0.824	0.925	0.053	0.772
B2C	1.551	0.823	0.926	0.053	0.775
No-Developed	1.572		0.924	0.54	
Developed	1.554		0.925	0.53	
Non-Manufacturing	1.625		0.918	0.056	
Manufacturing	1.605		0.920	0.055	
Minimum fit	2 < X < 3	0.90	0.95	0.05 < X < 0.1	0.80
Good fit	X < 2	0.95	0.99	X < 0.05	0.85

Table 6

Analysis by groups—standardized effects of Competitive Strategies.

Groups	CBL and MO			DS and MO			CBL and EP			DS and EP		
	Total	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect
B2B	0.14	0.14	0.00	0.27	0.27	0.00	−0.06	−0.10	0.04	0.70	0.62	0.08
B2C	−0.10	−0.10	0.00	0.61	0.61	0.00	0.00	0.01	−0.02	0.87	0.76	0.10
Target economy (developed)	0.24	0.24	0.00	0.12	0.12	0.00	0.16	0.06	0.10	0.49	0.44	0.05
Target economy (developing)	0.00	0.00	0.00	0.47	0.47	0.00	−0.09	−0.09	0.00	0.81	0.71	0.10
Non-manufacturing exportations	−0.11	−0.11	0.00	0.55	0.55	0.00	−0.09	−0.07	−0.03	0.87	0.73	0.14
Manufacturing exportations	0.19	0.19	0.00	0.23	0.23	0.00	0.09	0.03	0.06	0.57	0.50	0.07

B2B: Business to Business; B2C: Business to Consumer; CBL: Cost-based Leadership; DS: Differentiation Strategy; EP: Export Performance; MO: Market Orientation.

Table 7

Analysis by groups—standardized effects of Local Institutions.

Groups	Standardized effects—LI and MO			Standardized effects—LI and EP		
	Total	Direct	Indirect	Total	Direct	Indirect
CS by B2B	0.213	0.213	0.000	0.258	0.198	0.060
CS by B2C	0.300	0.300	0.000	0.269	0.217	0.052
CS by target economy (developed economies)	0.327	0.327	0.000	0.342	0.204	0.138
CS by target economy (developing economies)	0.261	0.261	0.000	0.323	0.267	0.057
CS by non-manufacturing exportations	0.393	0.393	0.000	0.326	0.225	0.101
CS by manufacturing exportations	0.207	0.207	0.000	0.280	0.214	0.066

CS: Competitive Strategies; MO: Marketing Orientation; EP: Export Performance; LI: Local Institutions.

internationalization of firms is relevant in less developed countries as they may face hostile institutional environments (Abubakar et al., 2019).

In the global exports market, strategic differentiation, capacities, and marketing assets have acquired greater relevance due to the need to understand customers' requirements more precisely and to provide them with value (Cadogan et al., 2003; Kaynak & Kara, 2004; Brenes et al., 2014; Bianchi & Wickramasekera, 2016; Torres & Kunc, 2016; Keskin et al., 2021). In the same vein, Falahat et al. (2020) highlight three capabilities linked to marketing as determinants of competitive advantage as a key antecedent for the internationalization of SMEs. These capabilities are market intelligence capability, product innovation capability, and pricing capability. Furthermore, it is indicated that competitive advantage only acts as a mediating variable between pricing capability and international performance in SMEs. Additionally, Krammer et al. (2018) state that emerging economy firms' export performance depends on their specific capabilities and the home institutional environments. Specifically, export intensity is related to the availability of skilled workers and access to external technologies via licensing. Moreover, experiential export knowledge should also increase sales for exporting companies (Geldres-Weiss et al., 2016). Furthermore, according to Keskin et al. (2021), competitive strategies such as differentiation and cost leadership, as well as informational, relational, and marketing capabilities, offer export enterprises a competitive edge and increase their export performance in foreign markets.

In sum, although there are different determinants of export performance in companies, it is clear that marketing-related capabilities are key to achieving a connection with the requirements of consumers in foreign markets. In this sense, Marketing Orientation is a strategic resource encompassing the culture inside an enterprise responsible for enhancing a firm's attention toward its customers' needs during the implementation of competitive strategies (Chabowski & Mena, 2017). These results suggest that Marketing Orientation has a mediating role in

the success of export performance: exporting firms in emerging economies need to develop this marketing asset based on market knowledge to implement differentiation strategies successfully. Once firms achieve an adequate level of Marketing Orientation, they can develop new types of capabilities (e.g., innovation capabilities) to impact firm performance (Kirca et al., 2005; Boso et al., 2013; Kaliappen & Hilman, 2014).

Good-quality institutions (e.g., free trade agreements, customer information, and market reports, as in Chile) provide a stable environment that is conducive to the development of a firm's market orientation, especially in the export business (Bas & Kunc, 2009; Kunc & Bas, 2009; Bianchi & Wickramasekera, 2016). In the same vein, Krammer et al. (2018) state that political instability and informal competition affect the export propensity of firms in emerging economies. Ipek and Tanyeri (2020) indicate that the regulatory environment is conducive to improving export market orientation as an antecedent of export performance. Moreover, they suggest that higher knowledge-based and organizational resources strengthen the linkage between home country institutions and export market orientation. Thus, the effect of Local Institutions on strategy implementation is highly significant and directly and indirectly (through Marketing Orientation) affects Export Performance. Overall, this study makes a theoretical contribution to the literature regarding the drivers and enablers of export performance in emerging Latin American firms, highlighting the effect of Local Institutions and Marketing Orientation. This analysis can be expanded and consider, at the same time, both informal (competition, social capital, and others) and formal institutions in each country; and incorporate other theoretical views such as the industrial based-view, the knowledge based-view, social capital, resources environment, competitive productivity, political capital, and the global political economy (Buitrago & Barbosa, 2021).

This model can be useful for future investigations in the business strategy field, specifically for firms in emerging economies, to understand how the institutional context influences strategy implementation. Several models have been proposed and validated for developed economies, to a lesser extent for developing economies, and very few for Latin America, with a diverse sample of countries (Brazil, Chile, Mexico, and Peru). The results also offer insights into the specific differences in the institutions, policies, and export promotion programs of each country analyzed and in their export strategy, which has had different results in terms of the types of products exported, such as primary products and manufactured products, respectively: Brazil (73%; 27%); Chile (86%; 14%); Mexico (21%; 79%); and Peru (90%; 10%) (Geldres-Weiss & Monreal-Pérez, 2018; Malca et al., 2020; ECLAC, 2020, 2021). This is in line with Buitrago and Barbosa (2021, p. 429), who propose that "international competitiveness is moderated by country, region, industry firm and individual-based differences."

Our study also suggests that managers should consider local institutions when defining their competitive export strategies. In an excellent local institutional context, firms must invest in developing their market orientation (knowing their customers' potential needs) and implementing a differentiation strategy to increase their performance and maintain their competitive advantage (Greenwood et al., 2011). For example, in the context of low institutional quality, e.g., Peru, exporter

firms may want to move their operations to Central American countries where they operate in better institutional conditions so that they can improve their resource and capabilities for better market orientation in order to offer a better value proposition to their customers (Bair & Peters, 2006; Engman, 2011).

Policymakers must continue to foster trade agreements for exporting firms and promote programs to encourage exporters to implement strategy differentiation. However, the government needs to improve institutional quality, fight to reduce corruption, and create strict rules to protect the firm's resources, such as product innovation. In this way, firms will improve their resources, such as market orientation, to better connect with their customers and better implement their strategy.

6. Conclusions and future research

The implementation of competitive strategies for exporting firms in Latin America, as an example of emerging economies, is influenced by local institutions, such as private property rights, free trade, government action, and control of corruption. This influence directly affects their export performance, but their marketing orientation mediates it as a firm's capability. In the case of exporting firms in Latin American countries, the implementation of differentiation strategies is directly related to marketing orientation and export performance. Additionally, the implementation of differentiation strategies is more significant than cost-based leadership.

This study has specific limitations that offer opportunities for future research. Our sample size was small enough to conduct all structural assessments by groups and multiple countries. Subsequent studies should be carried out with larger samples that could lead to structural models identified by country. To control for non-response bias, the surveys should be conducted over different periods, data collection methods should be combined (in person and by email), and the number of survey invitations sent should be increased (Muñoz et al., 2010). Furthermore, an increase in the sample size would allow analysis by groups (by type of industry or by characteristics of the companies) to evaluate possible variations in the relationships of the structural model.

Previous research has demonstrated that the relationship between market orientation and performance constructs is highly sensitive to changes in the measurement scale: even the change in a measurement scale is a moderating factor in this relationship (Kaynak & Kara, 2004). Therefore, we need to conduct further research that includes new scales of measurement for market orientation, such as the market orientation scale and export market orientation scale, and new performance constructs (objective and subjective measurements) (Kaynak & Kara, 2004).

From a theoretical point of view, it would be interesting to test the bidirectional relationship between market orientation and competitive strategies. According to previous research (Dobni & Luffman, 2003; Ketchen et al., 2007), the alignment of these constructs could yield helpful insights into the optimal strategic position for each firm to address external turbulences successfully (competitive intensity, market turbulence, and technological turbulence). In addition, the informal economy is a new and relevant external variable of firms in emerging economies (Heredia et al., 2017, 2018a, 2018b); therefore, future studies should analyze the influence of the informal economy on competitive strategy implementation—specifically, its influence on the development of market orientation capabilities—and analyze other theoretical approaches (Buitrago & Barbosa, 2020).

Finally, new competitive strategies for exporting firms in emerging economies could be included in the model, such as market diversification and focalization in new market segments (Aulakh et al., 2000). Additionally, future studies should reflect different scales of the local context such as country, region, and sector (Buitrago & Barbosa, 2020). Researchers could also add or combine the different strategic classifications of Miles and Snow's strategic framework: defender, prospector, analyzer, and reactor (Miles et al., 1978; Aulakh et al., 2000; DeSarbo et al., 2005).

CRedit authorship contribution statement

Jorge A. Heredia Pérez: Writing – original draft, Validation, Supervision, Software, Methodology, Investigation, Formal analysis, Conceptualization. **Cristian Geldes:** Writing – review & editing, Validation, Software, Methodology, Investigation, Data curation, Conceptualization. **Martin H. Kunc:** Supervision, Methodology, Conceptualization, Writing – review & editing. **Alejandro Flores:** Writing – review & editing, Supervision, Project administration, Conceptualization.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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Jorge Heredia, first author, has passed away unexpectedly on 14 April 2023. He is survived by a wife and a son. It has been a shock to all co-authors to learn about Jorge's death. He was charismatic, hard-working, and passionate about research. He led many articles and projects in Peru and other countries. We will miss him.

Appendix A. Figures

See Figs. 1-2.

Appendix B. Tables

See Tables 1-7.

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