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**Article:**

Leonidou, LC, Palihawadana, D [orcid.org/0000-0002-3883-0160](https://orcid.org/0000-0002-3883-0160), Aykol, B et al. (1 more author) (2022) *Effective Small and Medium-Sized Enterprise Import Strategy: Its Drivers, Moderators, and Outcomes*. *Journal of International Marketing*, 30 (1). pp. 18-39. ISSN 1069-031X

<https://doi.org/10.1177/1069031X211064278>

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**EFFECTIVE SME IMPORT STRATEGY:  
ITS DRIVERS, MODERATORS, AND OUTCOMES**

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# **EFFECTIVE SME IMPORT STRATEGY: ITS DRIVERS, MODERATORS, AND OUTCOMES**

## **ABSTRACT**

*We propose a conceptual model of the drivers, moderators, and outcomes of a firm's effective import strategy, anchored on the Dynamic Capabilities and Industrial Organization theories. While the former theory explains the mechanism through which dynamic capabilities facilitate import strategy effectiveness that boosts competitive advantage and ultimately enhances financial performance, the latter theory sets the foundation for explaining the contingency role of both competitive intensity and environmental uncertainty on translating effective import strategy into competitive advantage. The model was tested using a sample of 151 British importers of small-to-medium size, with results indicating that possession of high levels of certain dynamic capabilities of a generic (i.e., adaptive and entrepreneurial) and import-specific (i.e., source identification and market development) nature are conducive to import strategy effectiveness. The latter was found to generate both product-differentiation advantage and low-cost advantage, although this was contingent on the degree of competitive intensity and environmental uncertainty prevailing in the importer's home market. Finally, it was confirmed that both product-differentiation advantage and low-cost advantage have a favorable impact on the importer's financial performance.*

## **KEYWORDS**

Importing; dynamic capabilities; competitive advantage; financial performance; SMEs.

## INTRODUCTION

Import trade has experienced an exponential growth in recent decades, rising from \$7.9 trillion in 2000 to \$21.8 trillion in 2020 (World Bank 2021a). This can be attributed to serious developments in the world economy, such as the accelerated globalization of markets, fierce competition on a global scale, and advancements in transportation, communication, and information technologies (Kalchschmidt et al. 2020; Schiele, Horn, and Vos 2011). Organizations have also increasingly recognized the strategic importance of purchasing from abroad in order to secure products, raw materials, and services at lower cost, of better quality, and even greater variety, which will help to improve their business performance (Castillejo et al. 2020; Grosse and Fonseca 2012; Mazzi and Foster-McGregor 2021). In fact, more and more firms nowadays are concerned with the effective implementation of the importing process *per se*, rather than with the question of whether or not to import (Lorentz, Kumar, and Srai 2018). Yet, this is a serious challenging task in a dynamically changing, highly uncertain, and complex international business environment (Orlando et al. 2021).<sup>1</sup>

As opposed to exporting, academic research on the import activities of firms has remained relatively behind practice development in the field.<sup>2</sup> This is surprising, because the importer is usually the major driving force behind a foreign manufacturer's internationalization process, through the solicitation of orders, the co-creation of new products/services, and the suggestion of ideas for business expansion (Paul, Parthasarathy, and Gupta 2017). Moreover, the importer performs important tasks, which are complementary to those of the exporter, such as gathering and transferring vital information about the market, understanding and targeting end-users, and guiding marketing mix adaptation decisions (Obadia and Stöttinger 2015). Furthermore, the importer performs certain functions, such as inventory management, warehousing, and distribution, which are vital for the exporter's success (Kotabe and Murray 2018).<sup>3</sup>

Within the sphere of importing, strategic issues play a particularly crucial role in the sense that they help the firm to better respond to foreign environmental opportunities and challenges, by taking into consideration its internal strengths and weaknesses, in order to achieve superior performance (Gelderman, Semeijn, and Plugge 2016; Gleich, Schmeisser, and Zschoche 2017; Griffith, Yalcinkaya, and Calantone 2010). However, although the extant import literature has dealt with diverse strategy topics, ranging from its conceptualization (e.g., Quintens, Pauwels, and Matthyssens 2006) and practical implementation (e.g., Trent and Monczka 2003) to its impact on organizational design (e.g., Nassimbeni 2006) and performance implications (e.g., Li and Lin 2015), it is far from investigating import strategy *per se* and how this is driven and successfully executed. Most importantly, the bulk of research focused mainly on the strategic import activities of multinational corporations (MNCs), while the investigation of such issues within the context of non-multinational firms has been relatively limited. An important group of importers that has received scant attention in terms of their strategic activities is that of small-to-medium sized enterprises (SMEs) (see **Web Appendix 1** for a summary of the extant research).

Import strategy has been conceptualized in the literature under global purchasing (Quintens, Pauwels, and Matthyssens 2006), international purchasing (Tolstoy and Axelsson 2018), and international supply management (Andersson and Servais 2010). Although one can derive useful insights from these conceptualizations, it is difficult to obtain a clear picture about the very nature of import strategy. This is because, although an importer acts as an intermediary between the source regions and the home market, and therefore is concerned with the creation of value for domestic buyers through the supply of suitable offerings from foreign sources, this connection with the market is relatively neglected (Aykol, Palihawadana, and Leonidou 2013). Previous conceptualizations of import strategy also downplay the pivotal role of specific internal company factors (e.g., organizational capabilities) in effectively handling the process

of purchasing products from abroad, as well as the inhibiting or facilitating role of external environmental forces (e.g., domestic competition) (Quitens, Matthyssens, and Faes 2005).

To fill the above gaps, our study aims to shed light on the drivers, moderators, and outcomes of an effective import strategy pursued by SMEs.<sup>4</sup> In particular, we seek to examine: (a) the influence of dynamic capabilities, both generic (i.e., adaptive and entrepreneurial) and import-specific (i.e., source identification and market development), on executing an effective import strategy; (b) the effect of this strategy on achieving a competitive advantage derived from product differentiation and/or low cost; (c) the impact of these competitive advantages on the importing firm's financial performance; and (d) the moderating role of competitive intensity and environmental uncertainty on the link between effective import strategy and competitive advantages. In doing so, we develop and empirically test a conceptual model anchored on the Dynamic capabilities (DC) and Industrial organization (IO) theories.

Our study contributes to the pertinent literature in four ways. *First*, importing is a unique business activity which requires the deployment of certain dynamic capabilities in order: (a) to cope with the heightened uncertainty associated with the complex, multifarious, and volatile nature of foreign source regions (Fang and Zou 2009); (b) to identify and exploit sourcing opportunities abroad with a potential to create customer value in the domestic market (Luo et al. 2011); (c) to anticipate future domestic market developments and respond accordingly by adapting and/or finding new foreign products/services (Karra, Phillips, and Tracey 2008); and (d) to orchestrate information related to micro- (e.g., competition) and macro-environmental (e.g., regulatory bodies) forces to provide the right match between domestic market expectations and foreign source offerings (Griffith, Noble, and Chen 2006). As opposed to prior research that either paid limited attention or superficially treated dynamic capabilities, our study provides an in-depth investigation of their crucial role played in effectively executing the firm's import strategy by distinguishing them into those having a generic or an import-specific nature.

*Second*, while our study provides a holistic coverage of various dimensions of import strategy (i.e., product/service, pricing/cost, logistics, and promotion), previous importing research (e.g., Quintens, Pauwels, and Matthyssens 2006) has focused only on specific strategic elements, such as specification of imported product standards, international supplier selection, and negotiation/contracting with foreign suppliers, that were examined in a relatively disconnected way. In addition, while other studies (e.g., Defever and Toubal 2013; von Haartman and Bengtsson 2015) have mainly examined the import strategy of either MNEs or large organizations, which are responsible for only a small proportion of imports in most countries (OECD 2020), our study focuses on SMEs which collectively represent the driving force of a country's imports. In fact, importing represents an opportunity for SMEs to complement their limited resources, develop new capabilities, acquire new knowledge and technology, and, by deploying those, improve their business performance (Gerschewski, Scott-Kennel, and Rose 2020). However, at the same time, they have to act strategically in order to cope with increased risks and uncertainties when purchasing from abroad (Cruz, Bahgdadi, and Aroui 2021).

*Third*, although an import strategy is considered to be the outcome of the interaction of the firm's dynamic capabilities with the changes taking place in the external environment (Quintens, Pauwels, and Matthyssens 2006), the crucial interplay between these constructs has surprisingly not yet been empirically examined. In contrast, within the exporting field there were several attempts (e.g., Gnizy 2019; Khan 2020) investigating the contingent role of contextual variables (e.g., market dynamism) on the association between dynamic capabilities and export strategy-related issues. In addition, while previous studies have only focused on links between isolated aspects of organizational capabilities and competitive advantage (e.g., H Kusaba, Moser, and Rodrigues 2011) or import business performance (e.g., Griffith, Yalcinkaya, and Calantone 2010), our study provides useful coverage of the impact of both

generic and import-specific dynamic capabilities on competitive advantage and performance through the mediating role of import strategy.

*Fourth*, in light of limited empirical insights regarding the strategic activities of SME importers, we augment extant knowledge on the subject by adopting a more holistic approach. This is particularly crucial because: (a) despite reference to specific capabilities in effectively carrying out the smaller firm's import activities, their examination in the case of smaller importers was mainly limited to their direct effects on either competitive advantage or performance (e.g., Griffith, Yalcinkaya, and Calantone 2010); (b) although different components of import strategy (e.g., product, cost/pricing, distribution) within the context of SMEs were sporadically investigated, there was no attempt to unify these scattered dimensions under the umbrella of a value-creating import strategy (e.g., Li and Lin 2015; Quintens, Matthyssens, and Faes 2005); and (c) despite efforts to associate various elements of the smaller firm's import behavior (e.g., new product adoption) with various outcome factors, the examination of their specific impact on generating competitive advantage was limited (e.g., Chrysochoidis and Theoharakis 2004).

The remainder of the article is organized as follows. First, we begin with a review of the relevant literature, with a particular focus on issues pertaining to SME import internationalization and import strategy. We then explain the theoretical foundation of the study, namely the DC and the IO theories. In the next section, we present our conceptual model and develop the research hypotheses. Subsequently, we elaborate on the methodology followed, focusing on sampling procedures, construct operationalization, questionnaire design, and data collection methods. We then analyze the data collected and present the study results. In the final sections, we discuss the findings of the study, and draw conclusions, extract theoretical and managerial implications, and offer directions for future research.

## **BACKGROUND RESEARCH**

This section presents an overview of the nature, stimuli, barriers, and facilitators/inhibitors of SME import internationalization, as well as provides background information with regard to the type, components, and competitive rivalry of SME import strategy.

### *SMEs and import internationalization*

Internationalizing through imports provides a useful strategic option for many firms to identify and exploit opportunities for products, parts, or raw materials available in foreign countries that can have a promising sales potential in their domestic market (Grosse and Fonseca 2012). This is particularly critical for SMEs, because in this way they can: (a) complement their limited internal resources, knowledge, and skills with those of foreign suppliers (Gerschewski, Scott-Kennel, and Rose 2020); (b) have access to a wider range and better quality of technological inputs that can increase their level of innovativeness and productivity (Castillejo et al. 2020); (c) broaden the breadth and depth of merchandise offered to their customers beyond the limits of existing domestic products and brands (Nucci, Pietrovito, and Pozzolo 2020); and (d) strengthen their network position and credibility in the domestic market through business connections with suppliers from abroad (Mahamadou 2021).

There are various internal and external factors that are responsible for stimulating or obstructing SMEs to engage in importing. With regard to import stimulation, internal factors include, for example, the desire to decrease costs of acquisition to offer better prices, the need to have products of better quality and wider variety, and the reduction of dependence on domestic suppliers, while some external factors are possession of exclusive information about a profitable foreign source, favorable foreign exchange rates with regard to specific countries, and problematic/interrupted flow of products from domestic sources (Quintens, Matthyssens, and Faes 2005; Tunisini, Bocconcelli, and Pagano 2011). On the other hand, some common internal import barriers confronted by importers are shortages of working capital to finance

imports, limited information to identify/analyze foreign sources of supply, and inadequate and/or untrained import staff, while some external import barriers refer to high tariff/non-tariff barriers, unfavorable foreign exchange rates, and the existence of inadequate transportation/infrastructural facilities (Castillejo et al. 2020; Cruz, Bahgdadi, and Arouri 2021; Lucero, 2008; Nucci, Pietrovito, and Pozzolo 2020).

The import internationalization process of SMEs can be facilitated or inhibited by various managerial, organizational, and environmental factors. For example, at the managerial level, it was revealed that managers with international business experience, familiarity with foreign cultures, and a risk-taking attitude tend to facilitate importing in their firms (Castillejo et al. 2020; Fletcher 2001). At the organizational level, SMEs located in urban areas, embedded in geographically concentrated industries, and engaged in innovation development were found to be more likely to import (Castillejo et al. 2020; Halilem, Amara, and Landry 2014; Mittelstaedt, Raymond, and Ward 2006). At the environmental level, financial liberalization of the domestic country, coupled with greater control on corruption, was reported to intensify import activity because of lowering the costs of obtaining finance and exposure to red tape (Ketkar 2014).

### *SMEs and import strategy*

Several attempts have been proposed in the past to conceptualize import strategies within the context of SMEs. For example, using a relational approach, Andersson and Servais (2010) categorized the import strategies of industrial firms based on perceived complexity and importance of the purchase, with each import buyer strategy (e.g., supplier management) matching with the most suitable foreign seller strategy (e.g., technology differentiation). Moreover, Quintens, Pauwels, and Matthyssens (2006) classified SME import strategies in terms of centralization of sourcing processes and standardization of product characteristics, personnel attributes, and sourcing processes.

With regard to specific components of the firm's import strategy, Li and Lin (2015) dealt with new product adoption which was positively connected to market experience, product meaningfulness and superiority, consumer familiarity, exporter-importer relationship quality, and product innovation. Lowengart and Mizrahi (2000) also proposed a model for setting an international reference price by the importer, given the foreign market stability and consumer access to information technology. In another study, Kim (1998) investigated the predictors of importer distribution channel decision and concluded that asset specificity, variability of the market environment, and firm experience increase the likelihood of adopting an integrated channel, while a wider availability of intermediaries leads to the usage of independent channels. Finally, Quintens, Matthyssens, and Faes (2005) reported that smaller firms prefer either indirect or both direct and indirect strategies of purchasing goods from abroad, while intermediaries are used because of their greater expertise, service, and skills for better communication and uncertainty reduction.

SMEs' import strategies do not operate in a vacuum, but have to take into consideration the movements of other competitors in the domestic market, which may differ according to the stage of industry development (Odlin 2019). Under conditions of competitive rivalry: (a) firms are engaged in continuous and quick introduction of innovative products with an intention to outperform competitors and acquire market share (Bachmann, Ohlies, and Flatten 2021); (b) price, promotion, and other wars are more likely to erupt among rival firms in an effort to gain market share (Ndubisi et al. 2020); and (c) customers have greater information about alternative market offerings, increasing in this way the possibility to switch among competitors (Adjei, Griffith, and Noble 2009). These conditions necessitate specific actions by the small firm, such as making quick and proactive movements (Adomako et al. 2021), becoming more responsive to competitors' actions and market needs (Gaur, Vasudevan, and Gaur 2011), and taking riskier initiatives to improve differentiation from the competition (Abebe and Angriawan 2014).

## **THEORETICAL FOUNDATION**

Our study conceptualizes SME importing as a critical value-creating strategy, which is driven by a specific set of dynamic capabilities and impacts financial performance through cost reduction and/or product differentiation, under the constraints imposed by competitive intensity and environmental uncertainty. This conceptualization is theoretically grounded on two complementary theories, namely the DC and the IO. While DC theory posits that firms attain competitive advantage through the employment of unique capabilities that enable to adapt to and shape a dynamically changing business environment (Teece 2009), the IO theory states that firms can cope with the various competitive forces prevailing in the industry by selecting a positioning based on product differentiation and/or cost leadership (Porter 2008).

The DC theory explains how firms utilize dynamic capabilities to create and sustain advantages over their competitors by properly responding to and creating environmental changes (Teece 2007). The theory explains the process through which a firm notices a profit opportunity, makes decisions and sets up processes to execute this opportunity, and continuously demonstrates an agility to refresh the bases of its previous performance leading to economic surpluses over time (Teece 2009). This is done through the concurrent deployment of sensing, seizing, and reconfiguration capabilities that provide the sources of a sustainable competitive advantage. For example, sensing incorporates awareness of supplier innovations and changing customer needs, seizing includes selecting sound target segments and designing mechanisms to create value, and reconfiguration encompasses learning and managing asset combinations to ensure enhanced customer value. These dynamic capabilities are characterized by certain distinct skills, processes, procedures, structures, decision rules, and disciplines, which constitute their micro-foundations. The use of DCs can help to achieve an evolutionary strategic fit, because they are instrumental in enabling the firm to both adapt to and shape its environment (Teece 2009).

On the other hand, the IO theory centers on the elements that form the structure of imperfectly competitive markets, the functioning of these markets, and the economic outcomes of imperfect competition. This theory states that market structure (i.e., idiosyncrasies of imperfect competition) determines the conduct of a firm (i.e., choice of operational variables), which subsequently influences its performance (Tremblay and Tremblay 2012). Industry structure comprises strategic groups, which are clusters of firms pursuing similar strategies. Within this structural setting, there are mobility barriers that inhibit firms from shifting their strategic position and thus provide the firm with some stable advantages over its competitors. The firm will achieve a better performance if it is based in a strategic group characterized by the optimum combination of high mobility barriers, insulation from between-group rivalry and substitute products, and high bargaining power with its supplier and buyer industries (Porter 1979). Industry structure is highly effective in setting competitive rules and possible strategies available to the firm. The aim of competitive strategy for a firm is to find a favorable competitive position in the industry, based on cost leadership and/or product differentiation advantage, where it can best defend itself against the structural determinants of competitive intensity (Porter 2008).

Despite differences between these theories, with the DC stressing the deployment of internal company factors to respond to and create environmental change and IO emphasizing external industry characteristics, the way these are integrated in our study centers on the interplay between dynamic capabilities, import strategy, competitive intensity, environmental uncertainty, competitive advantage, and financial performance. With regard to competitive intensity, while IO theory considers competition as one of the determinants of industry attractiveness that affects the firm's ability to derive competitive advantage from the strategies it pursues (Porter 2008), the DC theory states that a firm possessing specific dynamic capabilities has the capacity to influence the competition through the selection and development

of a business strategy that leads to a competitive advantage (Teece 2009). With regard to environmental uncertainty, IO theory stresses the role of environmental stability (in terms of governmental, institutional, supplier, customer, and other factors) to facilitate the achievement of competitive advantage by the firm (Porter 1991), whereas in DC theory such uncertainty needs to be managed through collecting and filtering information from both outside and inside the firm, interpreting this information to make right inferences with regard to opportunities and threats, and designing required strategic actions (Teece 2009).

## MODEL AND HYPOTHESES

**Figure 1** shows the conceptual model of our study, which comprises five groups of variables anchored on the DC and IO theories, namely generic and import-specific dynamic capabilities, import strategy effectiveness, competitive advantages based on product differentiation or low-cost, financial performance, and competitive intensity and environmental uncertainty as moderators. While dynamic capabilities, import strategy effectiveness, competitive advantages, and financial performance fall under the sphere of DC theory, the IO theory covers competitive intensity, environmental uncertainty, competitive advantages, and financial performance. In addition, we have three control variables in the model, namely type of importer, size of importing firm, and import experience.

**...Insert Figure 1 about here...**

### *Dynamic Capabilities and Import Strategy Effectiveness*

Dynamic capabilities refer to “a firm’s ability to integrate, build, and reconfigure internal and external competences to address a rapidly changing environment” (Teece, Pisano, and Shuen 1997, p. 516). Although there are different types of dynamic capabilities, we argue that certain generic capabilities (i.e., adaptive and entrepreneurial) and import-specific capabilities (i.e., source identification and market development) are the most relevant to SME import strategy.

While generic dynamic capabilities are critical to endure the evolutionary and entrepreneurial fit of the firm (Teece 2009), import-specific dynamic capabilities particularly focus on enhancing import operations and processes (Quintens, Pauwels, and Matthyssens 2006).

An *adaptive capability* refers to the firm's proficiency to alter its insight about market expectations to fit the fast-changing market and environmental conditions (Eshira and Anderson 2017). According to Day (2011), an adaptive capability involves: (a) sensing sooner and responding swiftly to changes in an increasingly volatile and unpredictable external environment; (b) sharing critical information among network partners regarding market developments; and (c) having a repertoire of strategies to implement according to changes in the market/environment. Adaptive capability helps the firm sense the nature and reason for changing customers, suppliers, and competitors, as well as inventing ways of accommodating changing market needs using a value-creating import strategy (Day 2014). This capability is particularly critical in an international business setting, because of the multiple foreign environments confronted by the importer, which are characterized by differences in political/legal instability (e.g., trade barriers/restrictions), economic volatility (e.g., exchange rate fluctuations), technological changes (e.g., degree of country innovativeness), and socio-cultural complexity (e.g., variety in value systems/traditions), all of which necessitate adjustments in the firm's import strategy to maintain its value-enhancing nature (Hitt, Holmes, and Arregle 2021). The use of this capability helps the smaller importer to effectively accommodate these environmental challenges by switching flexibly among foreign sources of supply, as well as quickly adjusting to their specific requirements (Sharma, Lindsay, and Everton 2015). The possession of an adaptive capability will ultimately help the firm to craft a suitable import strategy, affording a better position in which to handle environmental changes, more quickly grasp and respond to market trends than competitors, and constantly learn from its interaction with the market (Day 2011; Guo et al. 2018). The fact that smaller firms are

characterized by greater customer orientation, higher risk-taking, and faster decision-making enables them to deploy their adaptive capability to effectively adjust their import strategies in order to overcome unexpected difficulties and swiftly respond to market needs (Heider et al. 2021). Hence, we can propose that:

***H<sub>1</sub>: The possession of an adaptive capability will have a positive impact on the SME's import strategy effectiveness.***

*Entrepreneurial capability* refers to the firm's ability to leverage resources through performing a combination of innovative, proactive, and risk-seeking activities aiming to identify, enact, assess, and take advantage of business opportunities (Zhang, Tansuhaj, and McCullough 2009). Importers possessing this capability are more likely to introduce new foreign products to the market, recognize and exploit new opportunities, and assume any risks associated with their transactions with foreign suppliers (Sellappan and Shanmugan 2021). An entrepreneurial capability also helps to acquire useful knowledge about foreign sources of supply, competitive forces, and end-customer needs, which allows the importer to acquire high-value products/services, obtain better prices, ensure efficiency in logistics, and improve communication (Griffith, Noble, and Chen 2006; Li, Liu, and Liu 2011). Importers possessing this capability are characterized by a proactive stance in anticipating changes in domestic demand conditions, with this information subsequently being transferred to their foreign suppliers to effectively manage order cycle time, reduce various logistics costs, and adapt products suitable to end-customer needs (Dung et al. 2020). They are also in a better position to craft creative and value-enhancing import strategies, as well as successfully anticipate and accommodate any problems relating to their implementation (de Vasconcellos, Garrido, and Parente 2019). Thus, we may hypothesize the following:

***H<sub>2</sub>: The possession of an entrepreneurial capability will have a positive impact on the SME's import strategy effectiveness.***

*Source identification capability* is the importing firm's ability to identify reliable sources of supply abroad that will secure a steady flow of products at a reasonable cost (Leonidou, Palihawadana, and Theodosiou 2011). In fact, finding qualified foreign suppliers to overcome internal resource constraints represents one of the most frequent and critical challenges facing importers, particularly those of smaller size (Andersson and Evers 2015; Castellani and Fassio 2019). This can be attributed to three major reasons: (a) the complex nature of import activities due to the involvement of a higher number of alternative suppliers to be evaluated and the wide number of criteria used for their evaluation; (b) the fact that the identification of foreign sources takes place under high uncertainty, stemming from the multiplicity and diversity of conditions in the various foreign source regions; and (c) the limited, and sometimes costly nature of, information required to identify reliable foreign sources of supply (Riedl et al. 2013; Schätzle and Jacob 2019). Selecting the right foreign source of supply is of paramount importance for import strategy effectiveness, because it provides the cornerstone with which to secure the acquisition of products that will enhance the value delivered to the end-customer in the home market (Wetzstein et al. 2019). In fact, setting the right criteria for selecting foreign suppliers was found to result in obtaining products of improved quality, delivery, flexibility, and innovation at a lower cost (Nair, Jayaram, and Das 2015). While identification of the right foreign sources of supply can help smaller firms overcome internal resource constraints and enrich their market offerings (Bianchi and Saleh 2020), it also sets the foundation of a cooperative, trust-based, and long-lasting working relationship between the importing firm and its foreign supplier, which is critical for guaranteeing import strategy success (Leonidou et al. 2014). The above argumentation leads us to the following hypothesis:

***H<sub>3</sub>: The possession of a source identification capability will have a positive impact on the SME's import strategy effectiveness.***

*Market development capability* refers to a firm's ability to develop new geographic markets or market segments that will improve product absorption and increase its sales potential (Lew and Sinkovics 2013). Within an importing context, small firms possessing such capability accurately understand the needs and expectations of their own customers (e.g., new product types, price sensitivity, existence of adequate inventory), which are subsequently translated into key aspects in the firm's import strategy (e.g., product innovativeness, low purchasing cost, steady flow of supply) (Quintens, Matthyssens, and Faes 2005; Wang, Zhao, and Gu 2021). Obviously, this capability emphasizes the role of the importer as a facilitator (or even a performer) of key tasks usually undertaken by the foreign supplying firm, such as conducting market research and/or gathering intelligence information (Obadia, Vida, and Pla-Barber 2017), as well as acting as an intermediary catering for the needs of their own domestic buyers (Wang, Zhao, and Gu 2021). The use of market development capability will help not only to properly adjust the importer's requirements with regard to product standards, price levels, delivery terms, and other strategic elements by existing foreign suppliers, but also to seek collaboration from new foreign suppliers, who will be able to assist in creating value to the newly developed parts of the market and/or accommodate future needs of the existing market (Ottesen and Grønhaug 2002). It may also help to strengthen collaboration between the SME importer and the foreign supplier, for example, with regard to jointly developing new products, coordinating distribution and logistics facilities, and putting together effective advertising and promotional campaigns (Silva, Gomes, and Lages 2019). Based on the above, we may posit that:

***H4: The possession of a market development capability will have a positive impact on the SME's import strategy effectiveness.***

#### *Import Strategy and Competitive Advantage*

The firm's dynamic capabilities do not automatically transform into a competitive advantage, but do so through strategic choices, programs, and systems for implementation (Morgan,

Katsikeas, and Vorhies 2012). By leveraging certain dynamic capabilities, the effective implementation of the firm's *import strategy* (which comprises product/service, cost/pricing, logistics, and promotion elements) may lead to the achievement of competitive advantage, which can be based on differentiated products and/or lower costs (Grosse and Fonseca 2012). The creation of a product differentiation competitive advantage could be the result of a strategy securing access to foreign sources of supply offering products that have, for example, superior quality, established brand image, unique characteristics, cutting-edge technology, additional useful features, and better service (Mazzi and Foster-McGregor 2021). On the other hand, a low-cost competitive advantage can be achieved by the importing firm by having, for example, a reduction of unnecessary parts in the foreign products purchased, access to foreign suppliers providing products at attractive prices, more efficient delivery procedures from abroad, better management and control of the inventory, and a more standardized purchasing process (Ramírez-Alesón and Fernández-Olmos 2020; Trent and Monczka 2003). Although a firm can have a certain type of competitive advantage, today's complex international business environment requires simultaneous achievement of multiple forms of competitive advantage, which means that both product differentiation and low-cost advantages can co-exist (García-Villaverde, Ruiz-Ortega, and Parra-Requena 2012; Salavou 2015). This is because a value-creating import strategy requires the offering of enriched benefits (e.g., superior quality) at a reasonable cost (e.g., low prices), which can help to generate product differentiation and cost reduction respectively (Proff 2000). In fact, this is facilitated nowadays by the availability of modern technologies (e.g., flexible manufacturing), logistics methods (e.g., just-in-time), and management approaches (e.g., total quality management) that can help to achieve product differentiation at a relatively low cost, rather than relying solely on one type of competitive advantage (Leitner and Guldenberg 2010; Salavou 2015). Specifically, the various components of import strategy have a specific role to play in supporting each other so as to gain these two

types of competitive advantage. For example, importing high quality products would help the firm face lower incidences of defects and save unnecessary after-sales services costs (Proff 2000), while a sound import logistics management would reduce transaction costs (Salavou 2015). Hence, we can hypothesize the following:

***H<sub>5</sub>: The SME's import strategy effectiveness will be positively associated with: (a) a product differentiation competitive advantage; and (b) a low-cost competitive advantage.***

#### *Competitive Advantage and Financial Performance*

A firm that possesses a competitive advantage can create economic value for the end-user, as opposed to other competitors operating in the same product-market, with economic value referring to the difference between the perceived benefits reaped by buyers of the product and the economic costs incurred by the firm (Peteraf and Barney 2003). The possession by an importing firm of a *product differentiation competitive* advantage will have positive effects on its financial performance. As a result of this advantage, the firm can enjoy strong brand loyalty in the market, with repeated end-buyers helping to generate more sales at a reduced cost (Murray, Gao, and Kotabe 2011; Zhou, Brown, and Dev 2009). The unique/extra features of the firm's products will also help to set prices that allow for a higher profit margin and the generation of profits through repeated purchases by end-customers (Castillejo et al. 2020). The use of a product differentiation advantage will also help to increase customer value, by mainly enhancing the benefit side of the cost-benefit equation, and attracting new buyers, especially those in the more quality-conscious segment of the market (Kotler and Keller 2016). Finally, a product differentiation advantage will result in a favorable reputation generated by customer satisfaction, which allows the firm to acquire new customers, launch new products, and survive short-term market turbulences (Zhou, Brown, and Dev 2009).

In similar vein, the possession of a low-cost competitive advantage can also generate significant financial gains for the importing firm, such as improved sales, greater profits, and a

better return on investment (Hult et al. 2008). This is because an importing firm possessing this advantage can offer better prices than its competitors, thus creating greater customer value (Kotler and Keller 2016). Moreover, it gives the importing firm more flexibility in price-setting to end-customers, by optimizing the profits gained (Castillejo et al. 2020). Furthermore, this advantage can result in higher market share, due to the offering of better prices (Leonidou, Palihawadana, and Thodosiou 2011; Li and Li 2008). Finally, a low-cost advantage will increase sales, since this is usually accompanied by a broader scope of operations in many market segments (Kaleka and Morgan 2017).

Empirical findings support this positive impact of both product differentiation and low-cost competitive advantage on financial performance in the case of smaller importing firms (e.g., Lechner and Gudmundsson 2014; Leitner and GüldenberG 2010; Manev et al. 2015). The combination of these advantages allows the importing firm: (a) to compete simultaneously on multiple fronts in order to meet customer expectations on price, quality, style, convenience, and service and mitigate market risk (Leitner and GüldenberG 2010; Manev et al. 2015); (b) to attract new customers with value-offering products, which leads to higher market share and, by extension, to lower costs due to economies of scale (Leitner and GüldenberG 2010); (c) to heal the weaknesses inherent in each type of advantage, such as avoiding unnecessary costs in gaining product differentiation (Liu, Li, and Li 2020); (d) to be protected against competitors who rely only on a single source of competitive advantage, because it will be harder for them to imitate (Pertusa-Ortega, Molina-Azorín, and Claver-Cortés 2009); and (e) to achieve multiple financial goals, such as by improving profitability through cost reduction and boosting sales through product differentiation (Garcia-Villaverde, Ruiz-Ortega, and Parra-Requena 2012). These points lead us to the following hypothesis:

***H<sub>6</sub>: The possession of a product differentiation competitive advantage by the SME importer will positively affect its financial performance.***

***H7: The possession of a low-cost competitive advantage by the SME importer will positively affect its financial performance.***

*Competitive Intensity as a Moderator*

*Competitive intensity* refers to a situation in which the large number of competitors operating in a specific market and the limited growth potential of this market generate conditions of lower predictability and higher uncertainty (Auh and Menguc 2005).<sup>5</sup> As such, the outcomes of a firm's actions will largely depend on the movements of other competitors (Ahammad et al. 2021). For this reason, anticipating competitive actions and taking measures to respond pre-emptively will increase the firm's chances of survival and success (Wilden et al. 2013; Zhu, Zou, and Xu 2017). This is more pronounced in the case of smaller firms, as they can quickly respond to competitive challenges due to their flexible organizational structures (Li and Mitchell 2009). Importers operating under high competitive conditions are expected to make greater efforts to translate their import strategies into a competitive advantage (based on product differentiation and/or low cost) in order to create superior value for their customers compared to their competitors (Jin and Cho 2018). They may, for example, collaborate with (or even develop) their foreign suppliers in such a way as to enhance further product quality, improve product innovativeness, and reduce costs, so that the end market offering will be more attractive than those of their rivals (Mahapatra, Das, and Narasimhan 2016). They may also share relational norms (e.g., reciprocity, flexibility, understanding) with their foreign suppliers, aiming to respond more effectively and efficiently to competitor movements (Stewart, Zacharia, and Artis 2012). In addition, they may seek to find other new foreign suppliers, located in other parts of the world, who could enable them to overcome competitive challenges with regard to price attractiveness, technological superiority, shorter lead times, and so on (Wang et al. 2011). Finally, they will become more alert and sensitive to competitors' actions and mobilize those

forces necessary to provide a swift strategic response (Guo and Cao 2014; Kim, Min, and Chaiy 2015). Hence, we may posit that:

***H<sub>8a</sub>: The positive association between import strategy effectiveness and product differentiation competitive advantage will be stronger in the case of SME importers facing high competitive intensity.***

***H<sub>8b</sub>: The positive association between import strategy effectiveness and low-cost competitive advantage will be stronger in the case of SME importers facing high competitive intensity.***

#### *Environmental Uncertainty as a Moderator*

*Environmental uncertainty* can be defined as the unpredictability of changes in the various components of the environment within which an organization operates (Dobni and Luffman 2003). In an importing context, this uncertainty (which is accentuated by information asymmetries resulting from the high distance between suppliers and buyers) can be the result of both macro- and micro-environmental forces that act in both the home country and the source countries (Lorentz, Kumar, and Srai 2018). With regard to macro-environmental forces, these may refer, for example, to economic (e.g., foreign exchange rate volatility), political-legal (e.g., unexpected imposition of trade barriers), and technological (e.g., emergence of new technologies) dimensions (Hu and Motwani 2014; Lorentz, Kumar, and Srai 2018). On the other hand, micro-environmental factors may include, for example, issues pertaining to suppliers (e.g., interruption/closure of operations), competitors (e.g., entrance of a new player in the market), and intermediaries (e.g., bankruptcy of a logistics company) (Katsikeas, Skarmas, and Bello 2009). Under conditions of environmental uncertainty, the development by the importing firm of an effective import strategy will yield stronger effects in terms of achieving a competitive advantage, because it will be in a better position than its rivals to swiftly and effectively respond to changes in the environment by using superior products and lower prices (Zhou and Li 2010). The firm may also capitalize on its superiority in terms of delivery

performance, flexibility, and quality of operations (Badri, Davis, and Davis 2000). In addition, the firm will use its organizational agility to redirect resources to higher yield activities creating, protecting, and capturing value (Ahammad et al. 2021; Teece, Peteraf, and Leih 2016). Under conditions of high uncertainty, the importer may opt for a strategy generating both low-cost and differentiation advantages in order to reduce risk (Salavou 2015), with this being more evident in the case of smaller firms because of their inherent flexibility to swiftly acquire, transform, and exploit market knowledge (Miroshnychenko et al. 2021). The following hypothesis can therefore be made:

*H<sub>9a</sub>: The positive association between import strategy effectiveness and product differentiation competitive advantage will be stronger in the case of SME importers facing high environmental uncertainty.*

*H<sub>9b</sub>: The positive association between import strategy effectiveness and low-cost competitive advantage will be stronger in the case of SME importers facing high environmental uncertainty.*

## **STUDY METHOD**

This section explains the methodology adopted with regard to the execution of our study, with particular reference to research scope, sampling procedures, scale development, survey instrument, and data collection. With regard to research scope, our study took place in the United Kingdom, since this is a highly open economy with an extensive import activity that accounted for more than a quarter (i.e., 27.7%) of its GDP in 2020 (World Bank 2021b). In fact, the United Kingdom is among the top importing countries, ranked in the sixth position worldwide in terms of import volume (World Bank 2021a), with major product categories imported being electrical machinery, mechanical machinery, medicinal and pharmaceutical products, oil, and road vehicles (Office for National Statistics, 2021).<sup>6</sup> With regard to its major

trading partners, these are, in descending order of import volume, the following: Germany, China, United States, the Netherlands, and France (Office for National Statistics 2021).

A sample of 1,000 British importing firms was randomly selected from the 2018 Dun & Bradstreet Directory of the United Kingdom, which offers updated and comprehensive business data. Our emphasis was on SMEs, not only because they comprise the vast majority of importers in this country (as well as in many other countries), but also due to the existence of relatively limited empirical knowledge regarding their import behavior in general and their strategic import activities in particular. These firms belonged to a variety of sectors, ranging from foodstuffs and clothing to furniture and machinery. However, we have excluded importers that were subsidiaries of MNEs, inactive in the last five years, or engaged in the purchasing of primary goods or services. To ensure the eligibility of participants in our research, to explain the purpose and importance of the study, and to identify details concerning the individual in charge of import operations, all firms were initially contacted by telephone. Of these, 133 firms did not fulfil the eligibility criteria set. Of the remainder (i.e., 867 firms), 524 importing firms accepted to take part in the study and these were given the option of receiving the survey questionnaire either by post or online. Those that refused to participate, did so either for reasons of company policy not to disclose information or unavailability of time to respond to surveys.

Construct operationalization was primarily based on already established scales from the literature, with some being adjusted for the purposes of our study (see **Web Appendix 2**). Specifically, with regard to dynamic capabilities, adaptive capability is a four-item scale taken from Ma, Yao, and Xi (2009), the entrepreneurial capability scale contains six items adapted from Covin and Miller (2014) and Zhou, Barnes, and Lu (2010), the scale of identification capability consists of four items extracted from Leonidou, Palihawadana, and Theodosiou (2011), while the market development capability scale has four items derived from Morgan, Slotegraaf, and Vorhies (2009). Import strategy is a higher order construct, comprising

product/service (six items), cost/pricing (five items), logistics issues (five items), and promotional support (five items) issues, which were self-developed based on scattered material extracted from the extant import literature.<sup>7</sup> The scales for the product differentiation competitive advantage and the low-cost competitive advantage were derived from Vorhies and Harker (2000) and comprise four items each. The financial performance scale includes six items taken from Hult et al. (2008). With regard to the two moderator variables, competitive intensity scale (six items) was based on Jaworski and Kohli (1993) and environmental uncertainty scale (five items) was extracted from Ganesan (1994).

The questionnaire was designed around the constructs operationalized (see **Web Appendix 2** for the specific questions asked). The first part of the questionnaire contained questions about the importer's firmographics (e.g., years in business, number of employees, sales turnover), as well as details about the history, content, and scope of its import operations. The second part of the questionnaire referred to questions concerning the degree of existence of generic dynamic capabilities (i.e., adaptive and entrepreneurial) and import-specific dynamic capabilities (i.e., source identification and market development), anchored on a seven-point scale ranging from (1) very low to (7) very high. The third part focused on the four components of import strategy (i.e., product/service, cost/pricing, logistics issues, and promotional support) and for each of these, respondents were asked to indicate the level of their effective accomplishment on a seven-point scale, ranging from (1) very low to (7) very high. The fourth section contained questions concerning product differentiation advantage, low-cost advantage, and financial performance, which were compared against the importing firm's main competitors, using a scale from (-3) much worse to (+3) much better, and setting (0) as mid-point. The final section referred to the two moderators, namely competitive intensity and environmental uncertainty, both of which were assessed on a seven-point Likert scale, ranging from (1) strongly disagree to (7) strongly agree. Prior to the commencement of the full-scale

study, the workability of the questionnaire was pilot tested with five import managers to ascertain its flow, duration, and ease of response, revealing no particular problems.

All firms that agreed to participate in the study were sent the questionnaire through mail or electronic means, accompanied by a letter explaining the purpose of the study and providing instructions on how to answer the questionnaire. Altogether, the fieldwork process took four months to complete, during which 176 responses were received, while 37 additional responses were obtained using follow-up telephone calls. Of these, 18 responses were discarded due to incomplete answers, resulting in a final sample of 195 importing firms (i.e., 25.5% response rate or 37.2% effective response rate). Following Armstrong and Overton's (1977) non-response test procedures, the answers of early respondents were compared to those who responded late using a series of *t*-tests, revealing no statistically significant differences between the two groups. Key informant bias was also tested, using a set of questions (inserted at the end of the questionnaire) that assessed the degree of familiarity, knowledgeability, confidence, and competence of the respondent to provide the information required based on a seven-point scale, ranging from (1) very low to (7) very high. The values for each of these four dimensions were always higher than 4.0, indicating a satisfactory key informant suitability.

With regard to the profile of the participant importing firms, 46.6% were independent distributors, 14.1% retail organizations, 22.6% manufacturers, and 16.7% other types of importers. On average, these firms were 30.3 years in business and had been importing for 22 years. Their average number of full-time employees over the last 12 months was 55.8, while, on average, 3.7 of these employees were fully involved in importing. More than half (59.2%) of these firms were of small size and 41.8% of medium size. Most companies (i.e., 50.6%) imported industrial goods only, another 34.3% dealt exclusively with consumer products, while the remainder (15.1%) handled both consumer and industrial products. The average number of foreign suppliers used was 14.2, while, on average, they imported goods from six countries

(over the last twelve months). Finally, with regard to the source regions, these were in descending order: Western Europe (49.7%), Far East (36.9%), North America (29.7%), and Central Europe (25.6%).

## **DATA ANALYSIS AND FINDINGS**

Our data analysis was confined to that part of the sample that were non-manufacturer importers (i.e., 151 firms) due to the fact that manufacturer importers (especially those importing products to be solely used as input in their own production process) were revealed during the descriptive statistical analysis not to fully employ specific dimensions of the import strategy (**Web Appendix 3** shows the distribution of this reduced sample by industry group). Data were analyzed with structural equation modeling using EQS. First, we evaluated the measurement model by testing the pre-specified relationships between constructs and their indicators, and securing construct reliability and validity. We then assessed the structural model to test the hypothesized paths (main and moderated) in the conceptual model (Hair et al. 2018).

### *Measurement Model*

To check the psychometric properties of the constructs included in the conceptual model, we conducted a confirmatory factor analysis, using the elliptical reweighted least-square procedure, which revealed a good fit to the data ( $\chi^2 = 2367.17$ ,  $p = .00$ ,  $df = 1605$ ;  $NFI = .91$ ;  $NNFI = .94$ ;  $CFI = .94$ ;  $RMSEA = .07$ ,  $90\% \text{ C.I.} = (.06, .07)$ ) (Bagozzi and Yi 1988) (see **Table 1** and **Table 2**).

### **...Insert Table 1 and Table 2 about here...**

Convergent validity was met, as the  $t$ -value for each item was always high and significant, all standard errors of the estimated coefficients were very low, and the average variance extracted for each construct was greater than .50 (Hair et al. 2018). Moreover, there was evidence of discriminant validity, because the confidence interval around the correlation

estimate for each pair of constructs examined never included 1.00 (Anderson and Gerbing 1988), while the squared correlation for each pair of constructs never exceeded their average variance extracted (Fornell and Larcker 1981). Furthermore, we checked for construct reliability, which was satisfactory because all constructs in our conceptual model exhibited Cronbach's alphas greater than the threshold level of .70, while composite reliability was also satisfactory, with all coefficients being greater than the threshold level of .50.

In controlling for common method bias, we employed a combination of procedural and statistical approaches. *Procedurally*, we took the following measures: (a) respondents were assured of anonymity and that the information provided would be held as strictly confidential, while the study results would be presented in an aggregated form; (b) respondents were asked to fill in the questionnaire as objectively and accurately as possible and stressed that there were no right or wrong responses; (c) the order of questions pertaining to dependent and independent variables were counterbalanced; and (d) some scales included reverse items in order to ensure that the respondents were careful about answering the various questions (Podsakoff et al. 2003). *Statistically*, we used the partial correlation technique, in which 'import manager personality' (serving as a marker variable) neither exhibited a significant correlation with any other constructs of the conceptual model, nor changed the significance of the correlation coefficients after implementing partial correlation adjustments (Lindell and Whitney 2001). In addition, we employed the 'common method factor' test, whereby items were left free to load on their theoretical construct and on a latent common method variance factor, which demonstrated the stability of the structural parameters across the models including and excluding the latent common method variance factor (Podsakoff et al. 2003). Despite these efforts to control for common method bias, the fact that our data were derived from a single survey still leaves open a slight chance of such bias, and therefore our study findings should be interpreted bearing this in mind.

### *Structural Model*

**Table 3** shows the results of the structural model. Our results confirm H<sub>1</sub>, since importers having a high adaptive capability were revealed to have a greater tendency to effectively carry out their import strategy ( $\beta = .23, t = 2.61, p = .01$ ). H<sub>2</sub> was also validated, as the possession of an entrepreneurial capability was conducive to effective import strategy accomplishment ( $\beta = .16, t = 1.84, p = .07$ ). As predicted in H<sub>3</sub>, a firm demonstrating a greater source identification capability was found to have more potential to execute an effective import strategy ( $\beta = .17, t = 2.09, p = .04$ ). In addition, it was revealed that importers enjoying a market development capability are more likely to successfully materialize their import strategy, which lends support to H<sub>4</sub> ( $\beta = .67, t = 6.20, p = .00$ ). The implementation of an effective import strategy was revealed to be influential in generating a competitive advantage based on product differentiation ( $\beta = .39, t = 3.57, p = .00$ ) and low cost ( $\beta = .25, t = 2.31, p = .02$ ), thus accepting H<sub>5a</sub> and H<sub>5b</sub> respectively. Finally, in accord with H<sub>6</sub> and H<sub>7</sub>, it was revealed that the product differentiation competitive advantage has a positive effect on financial performance ( $\beta = .37, t = 3.50, p = .00$ ) and the same is also true with regard to low-cost competitive advantage ( $\beta = .22, t = 2.19, p = .03$ ).

### **...Insert Table 3 about here...**

Using the parsimonious method of moderation analysis (Ping 1995), we confirmed that under conditions of high competitive intensity, the effect of import strategy becomes stronger in the case of both product differentiation competitive advantage ( $\beta = .47, t = 4.71, p = .00$ ) and low cost competitive advantage ( $\beta = .14, t = 1.79, p = .07$ ), which confirm H<sub>8a</sub> and H<sub>8b</sub> respectively. The existence of high levels of environmental uncertainty was also found to enhance the impact of import strategy on both product differentiation competitive advantage ( $\beta = .34, t = 2.06, p = .04$ ) and low-cost competitive advantage ( $\beta = .58, t = 4.32, p = .00$ ), thus supporting H<sub>9a</sub> and H<sub>9b</sub> respectively.

Finally, we checked for the control role of three firm-related variables on both import strategy and financial performance, namely importer type, importer size, and import experience. Our results revealed that the effect of importer type on import strategy ( $\beta = .14$ ,  $t = .59$ ,  $p = .56$ ) or financial performance ( $\beta = .08$ ,  $t = .72$ ,  $p = .47$ ) is not statistically significant. While importers with a higher number of employees are more likely to implement effective import strategies ( $\beta = .32$ ,  $t = 1.91$ ,  $p = .06$ ), the impact of firm size on financial performance was not found to be statistically significant ( $\beta = .14$ ,  $t = .59$ ,  $p = .56$ ). Finally, higher levels of import experience (measured in terms of number of years) was revealed to have a significant positive effect on both import strategy effectiveness ( $\beta = .26$ ,  $t = 1.73$ ,  $p = .08$ ) and financial performance ( $\beta = .24$ ,  $t = 1.82$ ,  $p = .07$ ).

## **DISCUSSION AND CONCLUSIONS**

One summary conclusion that can be derived from this study is that the deployment of certain dynamic capabilities by the SME importer (which may have a generic or import-specific nature) ultimately contributes to heightened financial performance, in that they can successfully facilitate the execution of an effective import strategy and the generation of product differentiation and low-cost competitive advantages. It also underlines the role of external contingent factors, namely competitive intensity and environmental uncertainty, in positively moderating the impact of import strategy effectiveness on achieving competitive advantage. Overall, our study stresses the importance of combining internal-company aspects with external-environmental forces to better understanding strategic issues in an importing context.

Dynamic capabilities exhibit significant positive effects on creating effective import strategies. With regard to generic dynamic capabilities, our results emphasize the role of possessing an adaptive capability in effectively handling import strategies by SMEs, especially in a global environment characterized by high volatility and uncertainty. This is in harmony

with the results of earlier studies showing that importers with higher responsiveness are better able to understand local nuances and less vulnerable to factors obstructing importing (Tsai et al. 2009). In addition, the observed positive effect of entrepreneurial capability on import strategy effectiveness corroborates previous findings about the instrumental role of this capability in identifying suitable products from abroad that could accommodate domestic market needs and improve business performance (e.g., Exposito and Sanchis-Llopis 2020; Halilem, Amara, and Landry 2014). It is also consistent with past research (e.g., Ha-Brookshire 2009) underscoring the role of importers' entrepreneurial qualities (i.e., proactiveness, flexibility, risk-taking) to better respond to fast changing customer needs.

Concerning import-specific dynamic capabilities, the fact that both foreign source identification and market development capabilities were found to be important predictors of an effective import strategy signifies the role of importers in matching home market needs with foreign supply conditions. This reinforces previous evidence that a sufficient understanding of the home market helps importers to identify foreign products with a good sales potential (Ha-Brookshire and Dyer 2009; Li and Lin 2015). Our finding that the importing firm's ability to identify the right sources of foreign supply was confirmed as conducive to an effective import strategy, underscores the role of reliable and committed foreign suppliers in providing an uninterrupted flow of value-enhancing products, cost effectively, and with adequate promotional support to satisfy customer needs in the local market. Indeed, collaborating with foreign suppliers that could meet an importer's requirements on an ongoing basis was repeatedly found in the literature (e.g., Barnes et al. 2015; Leonidou et al. 2011) to be of particular importance for the successful development of import activities.

Our finding that there is a positive impact of import strategy effectiveness on the firm's competitive advantage (based on product differentiation or low-cost) is in harmony to those of prior research (e.g., Foerstl, Franke, and Zimmermann 2016; Petersen, Frayer, and Scannel

2000), which report cost reduction, improved product quality, and timely delivery as the most common benefits derived from purchasing goods from abroad. This favorable effect of strategy on both types of competitive advantage implies that importers can simultaneously enjoy product-related and cost-related benefits. Further, the fact that the effect of strategy on competitive advantage becomes stronger under adverse market conditions, as in the case of strong competitive intensity and high environmental uncertainty, stresses the need to have a sound import strategy in place. Also, the positive effect observed with regard to importer's positional competitive advantage on financial performance is in accord with the findings of previous studies in the general purchasing literature (e.g., Li et al. 2006).

In brief, this study has amply demonstrated the significance of an SME importer to rely on certain generic and import-specific dynamic capabilities to be able to acquire foreign products with the right attributes, price levels, logistics conditions, and promotional support. These internal factors are of paramount importance to effectively cope with the idiosyncratic conditions of operating in a global context, such as the existence of high geographical and psychological distance, the wide scope and scale of competition, and the great heterogeneity and volatility characterizing the international business environment. An effective implementation of an import strategy leveraged by appropriate dynamic capabilities can generate superior customer value (by both increasing the benefits derived from products and decreasing the costs of their acquisition) and subsequently lead to heightened financial performance. Such a strategy will arm the importer with the credentials required to successfully face the challenges associated with the intense competition and high uncertainty prevailing in the international marketplace.

## **STUDY IMPLICATIONS**

### *Theoretical Implications*

Several theoretical implications can be derived from our study. First, we have conceptualized and empirically tested the mechanism in which an import strategy, driven by a certain group of generic and import-specific dynamic capabilities, can improve competitive advantage and generate positive financial results. This coincides with findings in exporting research (e.g., Leonidou, Palihawadana, and Theodosiou 2011), which also stress the pivotal role of organizational capabilities in positively influencing strategy formulation, competitive advantage, and financial performance. The fact that our conceptual model is anchored on both DC and IO theories indicates that these can complement each other toward having a more complete understanding of the drivers, moderators, and outcomes of import strategies, because while DC theory explains the mechanism through which dynamic capabilities are conducive to import strategy effectiveness that generates competitive advantage and finally improves financial performance, the IO theory provides the basis for explaining the contingency effect of both competitive intensity and environmental uncertainty on the association between effective import strategy and competitive advantage.

By the same token, other theoretical perspectives, such as Institutional theory, Knowledge-based View, and Contingency theory, could also be used to provide additional explanations of import strategy perspectives (Aykol, Leonidou, and Zeriti 2012). For example, Knowledge-based View can be used to explore the role of knowledge development with international supply partners on import strategy effectiveness. Or, the combination between Institutional theory and Contingency theory could help to explain the contingency role of the institutional profile of both the foreign source country and home country in converting import strategy effectiveness into competitive advantage.

We have also developed, tested, and validated a new measurement scale of import strategy, which, despite its crucial role, was until now not clearly defined. By integrating scattered material derived from the extant importing research, coupled with input from the

wider international business and strategy literature, we have developed a multi-dimensional scale comprising elements related to product/service, pricing/cost, logistics, and promotion. Although this scale was applied on importing firms of smaller size, it could also easily be used, with some modifications, to measure the strategic import activities of larger organizations, as well as in the case of MNEs. Our study has also shown that scales developed in other areas of domestic (e.g., purchasing) or international (e.g., exporting) business could be transferred with some adjustments to an importing context.

As opposed to other studies focusing on direct links between organizational capabilities and competitive advantage or business performance, our study stressed the pivotal role of strategy execution as the missing link between these constructs. In addition, the fact that our findings have shown that an effective import strategy may lead to both product differentiation and low-cost competitive advantages, indicates that SME importers may simultaneously reap the benefits of both types of advantages to achieve superior financial performance.

### *Managerial Implications*

The findings of this study have also important managerial implications. First, to ensure the successful execution of their strategies, SME importers need to develop the right set of dynamic capabilities, such as those pertaining to monitoring, anticipating, and adjusting to changes in the environment and taking pre-emptive actions before their competitors. In addition, it is vital to improve their entrepreneurial capability by appointing people possessing entrepreneurial traits, as well as by cultivating a proactive, innovative, and risk-taking spirit among their personnel through appropriate training programs. These importers should also develop a specific capability to identify and select reliable, cooperative, and long-lasting foreign suppliers from attractive source regions, who can offer a high value potential in their home market.

They also need to enhance their market development capability to take into consideration current and future needs of their domestic market. For this purpose, data

concerning customers, competitors, and channel intermediaries should be systematically collected, analyzed, evaluated, and acted upon. The fact that market development capability exhibited the greatest effect size among all dynamic capabilities examined implies that top priority needs to be given to this capability when making investments within the organization. This is particularly true for SME importers because of their inherent resource constraints. This capability could be further enhanced with assistance provided by both governmental (e.g., trade ministries) and parastatal (e.g., chambers of commerce) organizations, taking, for example, the form of marketing research training, marketing intelligence support, and free provision of and/or access to important market-related data (Leonidou, Palihwadana, and Theodosiou 2011).

To achieve a competitive edge, it is critical for SMEs to effectively implement sound import strategies. It is particularly vital to have a proactive approach in crafting these strategies, in order to institute changes, as opposed to responding to them (Hughes, Morgan, and Kouropalatis 2008). This requires pre-emptively sensing needs in the market and finding offerings by foreign suppliers that can match them. Some specific actions that the smaller importer should take include searching for high-performing foreign suppliers, acquiring innovative/unique products, negotiating for better prices, ensuring excellent delivery performance, and securing promotional support. In this respect, it is essential for the SME importer to coordinate its activities with those of the immediate network members to be able to achieve common goals.

It is also critical for smaller importing firms to constantly monitor their external environment in order to accurately understand shifts in the market with regard to customer preferences, competitor movements, regulatory forces, and so on. This will allow to make all those strategic adjustments necessary to gain financially-rewarding product differentiation and/or low-cost positional advantages. The fact that our study revealed that an execution of an effective import strategy can further enhance the firm's competitive advantage(s) under

conditions of high environmental uncertainty and competitive intensity implies that importers with a sound strategy in place would not only be in a better position to accommodate the challenges of a harsh environment, but also to turn these challenges into profitable opportunities.

## **LIMITATIONS AND FUTURE RESEARCH**

Our findings should be interpreted within the context of certain limitations, which may also set the basis for future research. *First*, this study focused on importing firms located in a single developed country, namely the United Kingdom. As such, it is essential to obtain external validity by replicating this study in other developed country settings. Since emerging and developing economies are also heavily involved in importing activities, it would be interesting to investigate whether the conducive role of dynamic capabilities in achieving import strategy effectiveness and heightened performance would also be valid in these countries, which are characterized by weak institutional settings, narrow resource bases, and idiosyncratic cultural contexts (Nucci, Pietrovito, and Pozzolo 2020; Williams et al. 2014).

*Second*, this study was conducted among SME importers, which, although characterized by greater flexibility, more simple organizational structures, and faster response, possess limited financial, human, technological, and allied resources (Gerschewski, Scott-Kennel, and Rose 2020). Hence, it would be illuminating to extent our analysis to cover larger import organizations that have abundant internal resources, enjoy economies of scale advantages, and possess high bargaining power (Mittelstaedt, Raymond, and Ward 2006). Additionally, to make the analysis more complete, it would be useful to draw comparisons between indigenous firms and MNEs with regard to their import strategy activities.

*Third*, our study was confined to importers having a reselling role, namely independent distributors, retailers, and other types. However, manufacturers also import goods and materials

that they further process to produce final products. Thus, the nature of their import strategy, as well as the dynamic capabilities driving them, might be different than those of reseller importers, which is worth examining in future research. In that sense, promotional elements of the import strategy might not be relevant for this group, while they may need additional dynamic capabilities, such as network orchestration, to be successful in their import activities (Möller, Rajala, and Svahn 2005).

*Fourth*, with the burgeoning growth of services in many economies of the world, it would also be useful to examine strategic aspects of service importers. For example, it would be interesting to compare the relevance of dynamic capabilities across firms that import services relating to people processing (e.g., transportation), possession processing (e.g., repair and maintenance), and information processing (e.g., information technology). Variations of the influence of dynamic capabilities on import strategy could also be examined across services high in search (e.g., movies), experience (e.g., transportation), and credence (e.g., construction) attributes.

*Fifth*, although the interaction between constructs of our conceptual model may operate differently over time, our study was based on cross-sectional survey data, thus capturing only a snapshot of this phenomenon. Longitudinal research could be more useful in this respect, especially taking into consideration that some period of time needs to elapse before dynamic capabilities help to build import strategy effectiveness, that strategy needs time to materialize and create competitive advantages, while there is also a time-lag between exploiting a competitive advantage and yielding favorable effects on financial performance. Hence, collecting data at different time intervals would provide a more realistic and complete picture of this phenomenon. In addition, augmenting survey data with qualitative input (e.g., in-depth interviews and focus groups with import managers) could provide deeper insights concerning the associations between the constructs of the model.

*Sixth*, it is worth investigating the moderating role of various environmental factors prevailing in the home or source country, such as those pertaining to economic (e.g., economic conditions), legal (e.g., regulatory framework), and political (e.g., political risk) aspects. Moderating effects should also be examined with regard to managerial (e.g., leadership style) and organizational (e.g., organizational culture) factors within the importing firm. Other important moderating variables could refer to the importer's strategic perspective (e.g., standardization versus adaptation), foreign country source selection approach (e.g., concentration versus spreading), and governance structure of import operations (e.g., centralization versus decentralization).

*Seventh*, the control effect of industry life-cycle stage (whether emerging, growing, mature, or transition) also warrants attention, since this may pose different challenges for dynamic capabilities deployment and import strategy design (Cusumano, Kahl, and Suarez 2015). For example, Odlin (2019) reports that the SMEs' reference competitors may change across industry stage, with competition against other SMEs mainly taking place during the emerging and growth stages, while confronting larger firms is more profound when the industry consolidates. Some related variables worthy of examination in this context is the entrant versus incumbent status of the firm (Madsen and Walker 2017), time of entry into the industry (Franco et al. 2009), and managerial experience in related industries (Kapoor and Furr 2015).

*Eighth*, the outcome variable in this study is financial performance, which was selected not only because this is the performance measure most widely used in marketing research, but also because it can be operationalized with multiple and commonly used indicators, which managers can comprehend easily and thus provide reliable input (Katsikeas et al. 2016).<sup>8</sup> However, to enhance our understanding regarding the performance implications of import strategy effectiveness, future research could also focus on strategic performance, which can be

operationalized, for example, in terms of strength of strategic position, degree of competitiveness, and response to competitive pressures (Zou and Cavusgil 2002).

*Finally*, in light of the fact that many importing firms nowadays purchase their goods electronically, an investigation of an import strategy within the electronic context would produce fruitful insights (Allal-Chérif, Simón-Moya, and Ballester 2021). A relevant research question here might be which specific dynamic capabilities relate to an electronic import strategy? For example, such a strategy may require the existence of capabilities relating to information technology deployment, information system integration, and network building (Lin 2017). The possibility offered by digital purchasing methods to gain access to a wider number of foreign suppliers from different countries, thus increasing the negotiation power of the importing firm, also warrants attention.

## NOTES

1. The recent Covid-19 pandemic has put an extra, unprecedented challenge to many importing firms, because of having to deal with supply delays due to interruptions in production processes, governmental bans for certain products, and logistics problems that have significantly hurt their ability to meet domestic demand (Evenett 2020; Orlando et al. 2021).

2. The fact that exporting and importing are two sides of the same coin does not imply that carrying out research in exporting precludes the need to do similar research in importing. This is because exporters and importers, although key actors in international trade, perform different roles and pursue different strategies. While the role of the exporter is to identify and exploit opportunities that would satisfy foreign customer needs in a value-enhancing manner, and its strategy mainly focuses on selecting, entering, and serving foreign markets through the development/adjustment of appropriate products, prices, distribution, and promotion (Albaum and Duerr 2008), the importer's role centers on creating connections between customer requirements in the home market and product/service solutions available in various source countries, serving as communicator of marketing mix adaptations between the source and the home market, and coordinating the smooth and cost effective delivery of products/services from abroad (Aykol and Leonidou 2018). These unique roles and strategies played by exporters and importers have been responsible for attracting a voluminous body of research during the last six decades, resulting in two distinct fields taking many different directions, with exporting receiving much greater attention than importing (see reviews by Leonidou and Katsikeas (2010) and Aykol, Leonidou, and Zeriti (2012)).

3. Notably, several studies (e.g., Grosse and Fonseca 2012) stressed the role of importing as a mode of internationalization of manufacturing firms with a potential impact, not only on their performance, but also on their export behavior. For example, Hernandez and Nieto (2016) confirmed the contribution of importing, when this is accompanied by exporting, to firm growth attributable to the complementary knowledge acquired along with lower cost and/or higher quality inputs. Moreover, Castellani and Fassio (2019) reported that importing can improve the potential for exporting innovative products due to knowledge originating from foreign materials and inputs. Furthermore, Freeman, Deligonul, and Cavusgil (2013) underscored the role of importing as an alternative to de-internationalization from export markets, which helps companies to retain their international involvement until a re-internationalization is feasible.

4. Our study differs from other studies focusing on the import strategic activities of SMEs on five different grounds: (a) We identify generic and import-specific dynamic capabilities that could be instrumental to the import strategy effectiveness, while previous studies either focused on non-dynamic capabilities or adopted a broad approach to dynamic capabilities in their form of exploration/exploitation (Griffith, Yalcinkaya, and Calantone 2010; Ha-Brookshire and Dyer 2009; Li and Lin 2015; Yalcinkaya, Calantone, and Griffith 2007); (b) We define,

operationalize, and validate the import strategy as a higher-order construct comprising four key important sub-constructs (i.e., product/service, cost/pricing, logistic issues, and promotional support) that previous studies either only partially or peripherally examined (Kim 1998; Li and Lin 2015; Quintens, Pauwels, and Matthyssens 2006); (c) We link import strategy to its dynamic capability antecedents and competitive advantage consequences, as opposed to previous studies that ignored the intervening, crucial role of import strategy between non-dynamic or dynamic capabilities and competitive advantage (Ha-Brookshire and Dyer 2009); (d) We emphasize the financial performance implications of the firm's import strategy effectiveness (which is vital for the further continuation of SME import activity) using a multi-dimensional scale, while previous studies focused on other diverse aspects of performance related to market (Yalcinkaya, Calantone, and Griffith 2007), relationship (Ha-Brookshire and Dyer 2009), and competition (Griffith, Yalcinkaya, and Calantone 2010); and (e) We provide a more fine-grained explanation to import strategy effectiveness – competitive advantage link by taking into account the contingency role of external environmental elements, something which is missing from prior research, with the exception of Kim's (1998) study which examined direct effects of market variability, market complexity, and competitive intensity on import distribution strategy.

**5.** External factors represent the context in which international business takes place and as such play a pivotal role in influencing the importer's strategic activities. Our focus on both environmental uncertainty and competitive intensity (as boundary conditions influencing the translation of import strategy effectiveness into competitive advantage) provides new insights in the existing literature on strategic aspects of importing, in which the relevance of external factors has been relatively neglected. The few attempts made by previous studies focused on the role of these factors as facilitators of engaging in import operations (Ketkar 2014), hurdles faced while pursuing import activities (Tian et al. 2021), or direct influences on individual aspects of import strategy (Lowengart and Mizrahi 2000).

**6.** Apart from these factual reasons explaining the selection of the United Kingdom as an appropriate base for our study, the decision to carry out our study in this country was justified by two theoretical reasons: (a) its high levels of technological development, intensive competition, and exposure to the global economy create a fast-changing business environment, which necessitates the deployment of dynamic capabilities by importing firms (Schwab 2019); and (b) the high degree of experiential knowledge and business education possessed by its indigenous importing firms, coupled with its institutional advancement and proliferated trade infrastructure, makes the possibility of systematically crafting import strategies more plausible (OECD 2021; Skarmees, Zeriti, and Baltas 2016).

**7.** The scale development process for the 'import strategy' construct was based on the guidelines recommended by Churchill (1979) and involved specification of the domain of the construct, review of the pertinent import literature, in-depth interviews with import managers, and validation of the new scale by scholars with an expertise in the importing field.

**8.** Following the prevailing practice by previous international marketing studies, in this study we measured how the extent of using these specific dynamic capabilities influences import strategy effectiveness and ultimately financial performance. However, to reveal the instrumental role of managerial competence in dealing with strategic issues, an experimental design method could investigate how importing firms using a given level of the same dynamic capabilities can effectively handle their import strategy to yield superior financial results (e.g., ROI).

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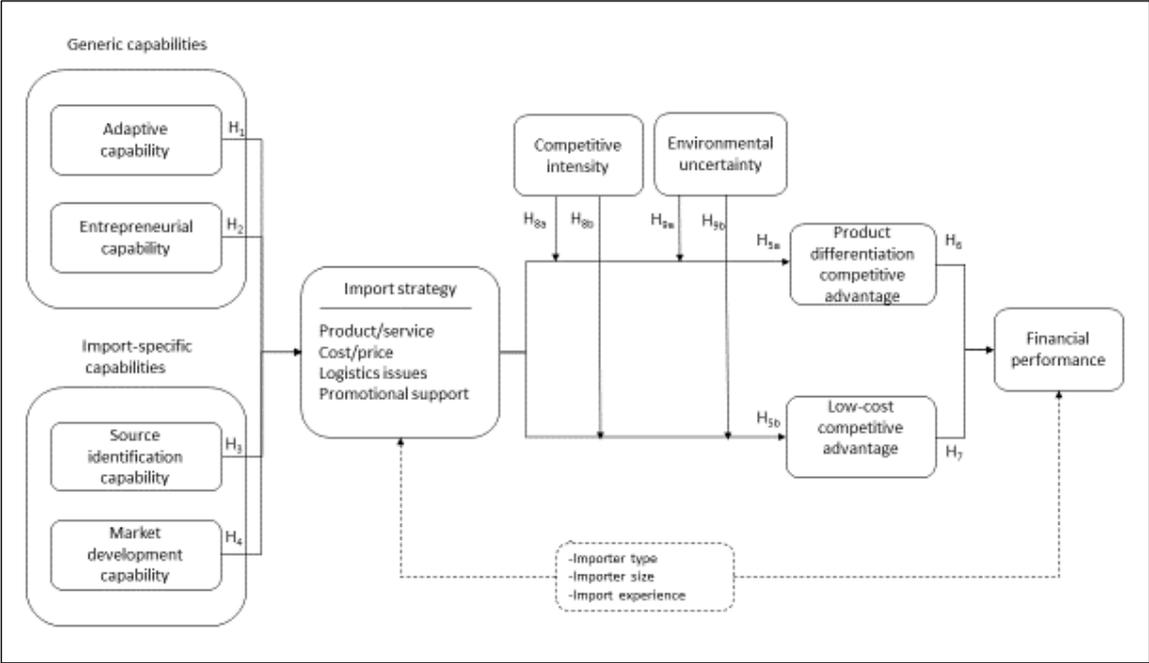
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**FIGURE 1**  
**THE CONCEPTUAL MODEL**



**TABLE 1**  
**MEASUREMENT MODEL**

Constructs	Scale Items	Standardized Loadings	t-value	$\alpha$	$\rho$	AVE	Mean Score	Standard Deviation	Items Means	Items S.D.
Adaptive capability	IAC1	.91	*	.91	.84	.71	4.76	1.26	4.59	1.35
	IAC2	.89	12.79						4.37	1.40
	IAC3	.82	10.73						4.84	1.44
	IAC4	.75	9.22						5.20	1.44
Entrepreneurial capability	ECA1	.78	*	.78	.74	.51	4.58	1.25	4.64	1.68
	ECA4	.57	5.51						3.43	1.79
	ECA5	.84	8.72						4.65	1.60
	ECA6	.61	6.06						5.58	1.30
Source identification capability	SIC1	.92	*	.95	.88	.80	4.56	1.50	4.87	1.57
	SIC2	.91	14.77						4.58	1.63
	SIC3	.93	15.56						4.64	1.62
	SIC4	.82	11.40						4.14	1.61
Market development capability	MDC1	.83	*	.88	.82	.65	5.19	1.20	4.85	1.41
	MDC2	.76	8.49						5.01	1.56
	MDC3	.87	10.19						5.45	1.30
	MDC4	.76	8.44						5.43	1.27
<b>*Import strategy:</b> Product/service	PRO1	.86	*	.89	.84	.57	4.82	1.20	5.27	1.28
	PRO2	.76	8.78						4.78	1.48
	PRO3	.82	9.80						5.04	1.36
	PRO4	.66	7.14						4.19	1.67
	PRO5	.69	7.60						4.92	1.46
	PRO6	.73	8.29						4.64	1.66
Cost/pricing	CPR1	.78	*	.85	.78	.51	4.95	1.11	5.43	1.29
	CPR2	.71	6.67						4.98	1.52
	CPR3	.64	5.89						4.74	1.29
	CPR4	.71	6.59						4.72	1.60
	CPR5	.71	6.58						4.86	1.35
Logistics issues	LOG1	.87	*	.87	.83	.61	5.14	1.05	5.47	1.24
	LOG2	.88	11.44						5.22	1.26
	LOG3	.88	11.51						5.03	1.24
	LOG4	.56	5.56						4.60	1.62
	LOG5	.65	7.09						5.31	1.10
Promotional support	PRM1	.92	*	.95	.90	.81	2.99	1.51	2.91	1.59
	PRM2	.94	16.84						3.07	1.64
	PRM3	.89	14.39						2.87	1.57
	PRM4	.85	12.75						3.02	1.67
	PRM5	.89	14.38						2.89	1.59
Product differentiation competitive advantage	PDA1	.88	*	.92	.87	.76	5.26	1.12	5.30	1.25
	PDA2	.79	9.94						5.45	1.23
	PDA3	.96	14.61						5.13	1.21
	PDA4	.86	11.85						5.07	1.28
Low-cost competitive advantage	LCA1	.87	*	.86	.80	.61	4.26	1.21	4.02	1.47
	LCA2	.97	12.57						4.14	1.44
	LCA3	.56	6.01						4.67	1.34
	LCA4	.65	7.22						4.16	1.51
Financial performance	FPR1	.77	*	.94	.89	.71	4.74	1.13	4.43	1.40
	FPR2	.83	8.78						4.85	1.33
	FPR3	.81	8.52						4.75	1.32
	FPR4	.89	9.61						4.79	1.32
	FPR5	.90	9.68						4.70	1.24
	FPR6	.86	9.16						4.84	1.14
Competitive intensity	CIN1	.74	*	.85	.82	.59	4.24	1.34	4.93	1.56
	CIN2	.77	7.15						4.13	1.86
	CIN3	.78	7.20						4.16	1.69
	CIN4	.78	7.24						4.62	1.61
	CIN5	.77	7.10						3.34	1.73
Environmental uncertainty	EUN2	.64	*	.82	.78	.67	2.76	1.24	3.41	1.54
	EUN3	.94	6.80						2.55	1.38
	EUN4	.84	6.83						2.35	1.39

<sup>a</sup> Higher-order factor (Mean= 4.51, SD= .98)

\* Item fixed to set the scale

Fit statistics:  $\chi^2=2367.17$ ,  $p=.00$ ,  $df=1605$ ; NFI= .91; NNFI= .94; CFI= .94; RMSEA= .07, 90% C.I.= (.06, .07)

**TABLE 2**  
**CORRELATION MATRIX**

<b>Constructs</b>	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
1. Adaptive capability	1									
2. Entrepreneurial capability	.52**	1								
3. Source identification capability	.48**	.53**	1							
4. Market development capability	.47**	.54**	.52**	1						
5. Import strategy effectiveness	.49**	.51**	.49**	.52**	1					
6. Product differentiation advantage	.21*	.19*	.20*	.28**	.42**	1				
7. Low-cost advantage	.24**	.30**	.34**	.23**	.35**	.10	1			
8. Financial performance	.32**	.22*	.17	.29**	.25**	.35**	.29**	1		
9. Competitive intensity	.24**	.25**	.23**	.17	.10	-.18	.17	.11	1	
10. Environmental uncertainty	.05	.04	-.03	-.13	-.14	-.11	-.04	-.06	-.01	1

\* p < 0.05; \*\* p < 0.01

**TABLE 3**  
**STRUCTURAL MODEL RESULTS**

H	Hypothesized Path	Standardized Coefficients	t-value	p-value
<b><i>Main effects:</i></b>				
H <sub>1</sub>	Adaptive capability → Import strategy effectiveness	.23	2.61	<b>.01</b>
H <sub>2</sub>	Entrepreneurial capability → Import strategy effectiveness	.16	1.84	<b>.07</b>
H <sub>3</sub>	Source identification capability → Import strategy effectiveness	.17	2.09	<b>.04</b>
H <sub>4</sub>	Market development capability → Import strategy effectiveness	.67	6.20	<b>.00</b>
H <sub>5a</sub>	Import strategy effectiveness → Product differentiation advantage	.39	3.57	<b>.00</b>
H <sub>5b</sub>	Import strategy effectiveness → Low-cost advantage	.25	2.31	<b>.02</b>
H <sub>6</sub>	Product differentiation advantage → Financial performance	.37	3.50	<b>.00</b>
H <sub>7</sub>	Low-cost advantage → Financial performance	.22	2.19	<b>.03</b>
<b><i>Moderation effects:</i></b>				
H <sub>8a</sub>	Competitive intensity → Product differentiation advantage	.66	-4.97	<b>.00</b>
	Import strategy effectiveness × Competitive intensity → Product differentiation advantage	.47	4.71	<b>.00</b>
H <sub>8b</sub>	Competitive intensity → Low-cost advantage	.07	0.67	.50
	Import strategy effectiveness × Competitive intensity → Low-cost advantage	.14	1.79	<b>.07</b>
H <sub>9a</sub>	Environmental uncertainty → Product differentiation advantage	-.30	-2.29	<b>.02</b>
	Import strategy effectiveness × Environmental uncertainty → Product differentiation advantage	.34	2.06	<b>.04</b>
H <sub>9b</sub>	Environmental uncertainty → Low-cost advantage	-.34	-2.45	<b>.01</b>
	Import strategy effectiveness × Environmental uncertainty → Low-cost advantage	.58	4.32	<b>.00</b>
<b><i>Control effects:</i></b>				
	Type of importer → Import strategy effectiveness	.14	0.59	.56
	Importer size → Import strategy effectiveness	.32	1.91	<b>.06</b>
	Number of years in importing → Import strategy effectiveness	.26	1.73	<b>.08</b>
	Type of importer → Financial performance	.08	0.48	.63
	Importer size → Financial performance	.08	0.72	.47
	Number of years in importing → Financial performance	.24	1.82	<b>.07</b>

Fit statistics:  $\chi^2 = 155.46$ ,  $p = .00$ ,  $df=109$ ; NFI = .91; NNFI = .93; CFI = .94; RMSEA = .08, 90% C.I.= (.07, .08)