Chapter 2
Beyond Differentiation:
How Competitive Intensity Shapes Export Performance for Mozambican SMEs

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ABSTRACT

Although the relationship between competitive strategy and export performance has been addressed previously in the literature, the moderating effect of the competitive intensity of this relationship is little explored, especially in emerging economies. This study aims to address the moderating effect of competitive intensity in the relationship between differentiation competitive strategy and the export performance of Mozambican small and medium-sized enterprises (SMEs). The study involves the analysis of 250 questionnaires directed to Managers of Mozambican SMEs, using structural equation modeling and Partial Least Squares (PLS/SEM) algorithm (SmartPLS 3.0). The findings show that differentiation strategy has a positive influence on export performance. However, competitive intensity has a negative moderating effect on the relationship between differentiation competitive strategy and export performance.

INTRODUCTION

Michael Porter's (1980, 1985) seminal work on competitive advantage established the concept of differentiation and cost leadership strategies. This research received significant support in the literature and marked a turning point in the field of strategy. It integrated firm-specific factors into business performance models, previously dominated by the industrial organization perspective (Parnell, 2006).

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Studies confirm that a firm's competitive strategy impacts its export performance. These strategies are influenced by the firm's intrinsic characteristics, particularly its resources and core competencies, as well as the industry it operates in (Aulakh et al., 2000; Morgan et al., 2004).

Exporting is a common initial step in the internationalization process, where firms gradually increase their global involvement (Johanson & Vahlne, 1977). Traditionally, internationalization research focused on multinational corporations (MNCs). More recently, there has been a growing interest in small and medium-sized enterprises (SMEs) (Mahamadou, 2021; Musso & Francioni, 2014; Ribau et al., 2015). While MNCs hold significant weight in the global economy, the perceived limitations of SMEs, particularly their resource constraints, are seen as a hurdle in international competition (Musso & Francioni, 2014). However, SMEs are key players in the development of African economies, which are largely reliant on them (Mahamadou, 2021). Current theories on the internationalization of African SMEs are often modeled after those developed in developed countries. It is crucial to consider the diverse economic environment in Africa, which varies in terms of political systems, resources, economic structures, and culture (Matenge, 2011). Internationalization discussions often focus on downstream activities, such as exporting products abroad. In this context, the applicability of these theories to African SMEs deserves further investigation, as emerging economies, particularly those in Africa, often have different ownership structures compared to developed countries (Amal et al., 2013; Maqsoom et al., 2021; Moreira et al., 2024).

Exporting firms in emerging markets face dynamic environments shaped by factors like fluctuating customer demand, evolving market needs and intense international competition (Khan & Khan, 2021). Most SMEs operate in turbulent economic environments, pressured to survive global economic crises while increasing revenue and profits. An effective differentiation strategy can provide a competitive advantage by offering customers greater value through superior products and services. This strategy can justify higher profit margins compared to competitors (Dervitsiotis, 2010).

Competition is central to firms' success. Adapting a firm's activities to an international competitive landscape can significantly contribute to its performance (Fuchs & Kostner, 2016; Leonidou et al., 2015; Morgan et al., 2004; Navarro-García et al., 2016; Porter, 1985). Competitive intensity, a dimension of the internationalization process, reflects the growing number of firms seeking opportunities in international markets to achieve their goals, secure their positions and ensure survival (Rasheed & Ahmad, 2022; Young et al., 1989). Research suggests a positive correlation between competitive intensity and export performance (Fuchs & Kostner, 2016; Lengler et al., 2016; Leonidou et al., 2015; Morgan et al., 2004; Navarro-García et al., 2016). As competition intensifies, a firm's actions and outcomes become heavily influenced by the actions and responses of its competitors, leading to decreased predictability and certainty (Auh & Menguc, 2005; Reimann et al., 2022).

Several studies have explored competitive strategies as determinants of export performance. Morgan et al. (2004) posit that the interaction between a firm's export resources and skills, its chosen competitive strategy and the competitive intensity of the export market determines its positional advantages. Aulakh et al. (2000) examine the effectiveness of cost leadership and differentiation strategies across different foreign market types. Their findings indicate a positive impact of competitive strategies on export performance, with differentiation being particularly effective for firms in developing economies. Rua et al. (2018) analyze the strategic determinants influencing export performance, considering the mediating effect of competitive strategy.

Building on the existing literature, our research offers a novel contribution by examining the moderating effect of competitive intensity on the relationship between a competitive differentiation strategy and the export performance of firms in emerging economies. We focus on two key aspects. First, we

investigate the specific effect of a product and service differentiation strategy on export performance. Second, we analyze how competitive intensity moderates the relationship between differentiation strategy and export performance. This focus is particularly relevant for firms in emerging economies, such as those of Mozambique that are normally under-researched. As Aulakh et al. (2000) point out, firms in these economies face diverse competitive environments with distinct customer profiles in both developed and developing markets. This necessitates adapting competitive strategies to cater to the specific needs of each market type.

Mozambique's small and medium-sized enterprises (SMEs) are the backbone of the economy, constituting a significant 97.1% of all registered businesses. The National Institute of Statistics (INE) data from 2017 confirms this dominance, with most companies falling under the "small" category (INE, 2017). Similar to other nations, Mozambique's SMEs play a crucial role in driving economic growth and alleviating poverty (Kaufmann, 2020). INE's 2017 report further highlights their contribution, revealing a 23.4% share of the country's GDP.

As Table 1 shows, Mozambique currently boasts an estimated 49,734 SMEs, employing a workforce of 270,402. This segment can be further categorized: 1,996 are medium-sized, 27,426 are small, and the remaining 20,312 are micro-enterprises. Regarding national distribution, micro enterprises account for 40%, followed by small businesses at 53%, and lastly, medium-sized enterprises at 4%.

The employment picture is also noteworthy. According to INE (2017), SMEs provide jobs for 270,402 individuals, translating to 46.4% of the total workforce. Interestingly, large companies employ the remaining 53.6%, representing 312,381 workers.

Table 1. Distribution of companies by Size

Company size	**Total Units**		**Total Workers**		**Average number of Workers**
	No.	**%**	**No.**	**%**	
Micro	20 312	40	43 819	7.5	2.16
Small	27 426	53	167 537	28.7	6.11
Media	1 996	4	59 046	10.1	29.58
Total of SMEs	**49 734**	**97.1**	**270 402**	**46.4**	**5.5**
Large firms	1 503	2.9	312 381	53.6	207.8
Total	51 237	100.0	582 783	100.0	11.37

Source: (INE, 2017)

According to Kaufmann (2020), several key constraints and challenges hinder SME growth: access to finance, taxation, business management difficulties, workforce qualifications, underdeveloped infrastructure, limited market access, and inadequate stakeholder coordination. Mozambique exhibits characteristics of an emerging African economy with a vibrant SME sector and promising natural resources. However, addressing challenges in financing, infrastructure, and workforce development will be crucial to ensure inclusive and sustainable economic growth, a common goal for many African nations on the rise.

The remainder of this chapter is structured as follows. Section 2 presents a comprehensive literature review that explores competitive differentiation strategies, export performance and competitive intensity. We then develop our research hypotheses based on this review. Section 3 details the research methodology employed in our study. Section 4 presents the results of our analysis and discusses their

implications. Finally, Section 5 concludes the chapter by summarizing the key findings, acknowledging any limitations of the study, and suggesting avenues for future research.

THEORETICAL BACKGROUND

Differentiation Strategy

Competitive strategy refers to the pursuit of a favorable position within an industry to achieve a sustainable and profitable advantage over competitors (Porter, 1980, 1985). It seeks to create a preferential competitive situation by differentiating the firm from its rivals. This differentiation allows the firm to establish a strong position in the face of competitive forces within the industry (Herzallah et al., 2014).

A differentiation strategy involves offering unique value to customers through various dimensions. Firms can differentiate themselves based on product attributes, delivery systems, marketing approaches, or a combination of factors (Porter, 1980, 1985). The goal is to provide superior products or services that better satisfy customer needs (et al., 2014). This often requires continuous product improvement and technological innovation, achieved through substantial investments in research and development (R&D) activities (Wang et al., 2024). Firms employing a differentiation strategy carefully select the attributes they will leverage to stand out, aiming for a unique position that commands a premium price (Porter, 1985). This premium price can be a key driver of firm performance (Acquaah, 2011; Carlson, 2023; Eulerich et al., 2023; Islami & Topuzovska Latkovikj, 2022; Lechner & Gudmundsson, 2014).

However, differentiation strategies are not without risks. The first risk concerns sustainability – competitors can imitate the differentiating factors, causing them to lose their significance to buyers. The second risk arises when costs become similar across offerings, negating the value proposition of differentiation. Finally, an overly focused differentiation strategy targeting a very specific niche market can limit overall sales potential (Porter, 1985).

Firms that implement a differentiation strategy hope to build a strong bond of loyalty with their target audience. Strategies based on differentiation and high-quality products are significant competitive weapons, especially in dynamic environmental, such as export markets (Leitner & Guldenberg, 2010). However, this strategy can present some risks when: 1) the differentiation strategy is unsustainable (competitors are able to imitate and the basis of differentiation becomes less important to buyers); 2) when there is similarity of costs between the different offers; and 3) when differentiation is very high, focusing on very specific market niches (Porter, 1985).

Export Performance

The globalization of markets and intensified global competition have prompted firms to increasingly seek opportunities in foreign markets to ensure long-term survival. In this context, exporting is the most common initial mode of international expansion, particularly for small and medium-sized enterprises (SMEs) (Lengler et al., 2014; Ribau et al., 2017, 2018). Exporting is also an important driver of eco-

nomic development for nations. Understanding and mastering the factors that positively impact export performance is therefore crucial for academics, managers, and public institutions (Lengler et al., 2014).

Export performance reflects a firm's relative effectiveness in utilizing resources and translating them into strategies that maximize opportunities while minimizing threats and challenges in foreign markets (Ibeh & Wheeler, 2005). It also reflects the firm's specific approach to leveraging its resources and skills and is considered a key indicator of success in international operations (Beleska-Spasova et al., 2012; Pett & Wolff, 2017).

The literature offers various measurement approaches for export performance (Aulakh et al., 2000; Bonaccorsi, 1992; Cavusgil & Zou, 1994; Gemünden, 1991; Guan & Ma, 2003; Jantunen et al., 2005; Ribau et al., 2017; Sousa, 2004; Sousa et al., 2008; Yi et al., 2013; Zou & Stan, 1998), as shown in Table 2. For instance, Aulakh et al. (2000) developed a model examining the export strategies of firms in emerging economies and their performance in foreign markets. They used both financial variables (export sales and profits) and non-financial variables (export targets, satisfaction, and perceived success). Their findings suggest that differentiation strategies positively impact export performance in developing countries.

Guan and Ma (2003) considered several indicators to measure export performance, categorized as: structural factors (firm size, age, management systems, technology, and R&D); firm management factors (export expectations, profitability, risk, costs, and experience); and incentives and obstacles encountered during internationalization. Their research focused on the impact of innovation capabilities on the export performance of Chinese manufacturing firms. The results indicated that, apart from manufacturing innovation capability, all other factors (learning innovation capability, R&D, resource exploitation, marketing, strategic and organizational capabilities) had a direct positive relationship with export performance.

Table 2. Export performance measurement indicators

Indicators	**Author**
Financial – export sales and profits; Non-financial – firms' export objectives, satisfaction and perception of success.	(Aulakh et al., 2000; Jantunen, Puumalainen, Saarenketo, & Kylaheiko, 2005; Kuivalainen, Sundqvist, & Servais, 2007; Zou & Stan, 1998),
Export sales over total sales	(Yi et al., 2013)
Structural factors (size, age, management systems, technology and R&D); Management factors of the firm (export expectation, profitability, risk, costs and experience); and Incentives and obstacles in the internationalization process.	(Guan & Ma, 2003)
Intensity of exports; Growth in export sales; Profitability of exports; Export market share and overall satisfaction; Export performance; and Export Success.	(Sousa, 2004)
Economic (such as increased profits and sales); and Strategic (such as diversifying markets, gaining market share and increasing brand reputation).	(Cavusgil & Zou, 1994)
Size of the firm; and international experience.	(Sousa et al., 2008)

Source: Owner Elaboration

Ribau et al. (2017) applied various objective and subjective measures to assess export performance. Objective measures included financial ratios, economic measures, and non-economic measures. Subjective measures included items related to management decisions, export expansion strategies, target achievement, customer satisfaction and general subjective perceptions. These indicators helped them analyze factors influencing the export performance of SMEs and integrate the theories of international

entrepreneurship and international strategies. Based on an extensive literature review, their model incorporates the key aspects of SME internationalization processes that influence export performance. The model by Ribau et al. (2017) highlights three important factors affecting a firm's entrepreneurial orientation: the industry sector, the environment, and the firm itself.

By studying the relationship between export performance and firm- and site-specific institutional idiosyncrasies, Yi et al. (2013) use export market sales over total sales as a measure of export performance. The results show that investment abroad, affiliation to the business group and the degree of commercialization of the region where the firm operates positively moderate the effects of innovative skills on export performance. Relations with the Government have a stronger positive moderating effect on the innovation-export relationship only in regions with a high level of commodification.

Competitive Differentiation Strategy and Export Performance

The literature suggests a positive relationship between competitive differentiation strategies and export performance (Aulakh et al., 2000; Boehe & Cruz, 2010; Falahat & Migin, 2017; Keskin et al., 2021; Leonidou et al., 2015; McGuinness & Little, 1981; Morgan et al., 2004; Peres et al., 2023). However, the nature of this relationship is explored from various perspectives. Morgan et al. (2004) propose that a firm's resources and competencies influence its choice of competitive strategies and the resulting positional advantages achieved in the export market, which ultimately affect export performance. Aulakh et al. (2000) go beyond examining differentiation and cost leadership strategies in isolation. They integrate marketing standardization and export diversification into their model.

Keskin et al. (2021) analyze 281 Turkish exporting manufacturing firms across various industrial sectors. They conclude that informational, relational, and marketing skills strengthen competitive advantages and influence both differentiation and cost leadership strategies. These skills enable firms to achieve superior performance in foreign markets.

Leonidou et al. (2015) investigate the internal and external determinants of environmentally friendly export business strategies and their effects on export competitive advantage and performance among Greek manufacturing firms. Their findings reveal that this business strategy was more prominent among larger firms with extensive export experience, firms producing high-tech industrial goods and those exporting to developed countries. Additionally, the study indicates a positive effect on the firms' export product differentiation advantage. This advantage, in turn, is positively associated with export market performance and the financial performance of exports.

Boehe and Cruz (2010) examine the contribution of corporate social responsibility (CSR) to product differentiation, quality, and innovation in the context of export performance within an emerging economy (Brazil). Their results support the positive effect of product differentiation on export performance. Similarly, Falahat and Migin (2017) test a theoretical framework that explores the relationships between international market orientation, business strategies and export performance among international new ventures in the emerging market of Malaysia. Their findings indicate that differentiation strategies positively impact export performance. They emphasize the importance of consistent monitoring and evaluation of business strategies to enable firms to add value for customers and consequently improve export performance.

However, some studies present contrasting evidence. Chung and Ho (2021) examine the effects of international competitive strategies (cost leadership and differentiation) on export performance (measured by market share and strategy) in New Zealand. Their research explores further into the roles of

exploitative and exploratory organizational learning in the relationships between international competitive strategies and export performance. Their results suggest that the differentiation strategy does not have a positive influence on export performance. Halikias and Salavou (2014) explore the relationship between competitive strategies and export performance in an export context, drawing on Porter's (1985) framework. Their findings reveal that export performance is not contingent on all generic strategies employed by firms in the international arena. Notably, their results suggest that firms adopting a differentiation strategy tend to have lower export performance in terms of export sales intensity. They argue that while a differentiation strategy can enable firms with unique products or services to achieve higher domestic sales through premium pricing, this may not necessarily translate to export markets.

Competitive Intensity and Export Performance

Competitive intensity refers to the degree of competition within an industry (Boso et al., 2013). As the number of competitors in a market increases, the level of competition intensifies. This leads to a more dynamic environment characterized by frequent changes in pricing, marketing strategies and product offerings (Auh & Menguc, 2005). The outcome of a firm's actions becomes heavily influenced by the responses and countermoves of its rivals, leading to decreased predictability and certainty (Auh & Menguc, 2005). Highly competitive environments pressure firms to adapt and engage in proactive, and sometimes risky, activities. This may involve bold initiatives such as price wars, aggressive marketing campaigns, or rapid product innovation (Auh & Menguc, 2005; Ribau et al., 2017). Research suggests that the impact of competition varies. Weaker competitors have a less significant influence on stronger rivals, while strong competitors can significantly limit the opportunities of their weaker counterparts (Barnett, 1997).

Firm size can also play a role in competitive dynamics. Large firms may lose some competitive edge compared to smaller, more flexible rivals with less cumbersome structures (Barnett, 1997; Fuchs & Kostner, 2016). However, larger firms may be able to leverage institutional support mechanisms to mitigate challenges faced by weaker subsidiaries and improve their overall viability (Barnett, 1997). In such cases, smaller businesses may find themselves facing a more competitive landscape with strengthened larger rivals.

The relationship between competitive intensity and export performance is complex and has been explored in various studies (Arun & Yildirim Ozmutlu, 2024; Fuchs & Kostner, 2016; Lengler et al., 2016; Leonidou et al., 2015; Morgan et al., 2004; Navarro-García et al., 2016). Fuchs and Kostner (2016) investigated the relationships between organizational factors, the external environment (including competitive intensity), international marketing strategies and export success of Australian exporting SMEs. Their findings indicate that firms in more competitive environments increase their efforts to adapt and achieve higher export performance.

Lengler et al. (2016) examined the determinants of customer orientation and its quadratic effects on the export performance of Brazilian SMEs. Their results suggest that both technological and competitive intensity are key factors influencing export success. However, they also found a negative effect of competitive intensity, indicating that extremely high levels of competition can have a detrimental impact on export performance. Lengler et al. (2016) argue that firms in emerging markets entering developed economies face a need for continuous monitoring of competitors and frequent product/service adjustments. This is because the greater competitive intensity in developed markets demand more resource allocation towards enhancing offerings and meeting customer needs.

Navarro-García et al. (2016) explored the interrelationships between human resources, competitive intensity, export commitment, strategic behavior, and export performance (both strategic and operational) of Spanish SMEs. Their findings indicate that competitive intensity positively affects export performance. They attribute this effect to the dynamism of the international environment, which forces firms to be vigilant and react promptly to changes in foreign markets. Rapid response is crucial to avoid falling behind competitors.

The Moderating Effect of Competitive Intensity

The literature presents varied perspectives on the moderating effect of competitive intensity on export performance (e.g., Keskin et al., 2021; Khan & Khan, 2021; Lengler et al., 2014; Morgan et al., 2004). However, few studies examine competitive intensity as a moderator in the relationship between competitive strategy and export performance.

Drawing on the resource-based view (RBV) and the structure-conduct-performance (SCP) paradigm, Keskin et al. (2021) investigate the simultaneous effects of competitive strategies and firm competencies on achieving competitive advantages and export performance under varying levels of competitive intensity. Their findings reveal that competitive intensity negatively moderates the relationship between service advantages and export performance. Conversely, it does not moderate the relationships between cost advantages, product advantages and export performance. The authors explain this by suggesting that firms may not prioritize developing service competencies when competitive intensity is low. As a result, the marginal contribution of these competencies becomes more important for export performance when competition intensifies.

Similarly, Morgan et al. (2004) propose a conceptual model integrating the RBV and SCP perspectives to understand the dynamic performance process of exporting firms. They examine how a firm's available resources and skills, including competitive strategy and the competitive intensity of the export market, interact to determine positional advantage and export performance. Their results indicate that competitive intensity has a less significant direct effect on export performance. However, it does moderate the relationship between a firm's competitive strategies and its positional advantages.

Lengler et al. (2014) explore the moderating effect of competitive intensity on the relationship between the dimensions of market orientation and the export performance of Brazilian exporting firms. They find that the moderating effect of competitive intensity on competitor orientation and export performance is negative. This implies that as competition intensifies, competitor orientation has a diminishing marginal impact on export performance. In contrast, the interaction effect of customer orientation and competitive intensity positively influences export performance. Interestingly, their findings suggest that customer orientation alone does not directly impact export performance. However, when the moderating effect of competitive intensity is introduced, the interaction term has a positive effect on export success. This suggests that customer orientation becomes more valuable in highly competitive environments.

Khan and Khan (2021) draw on the RBV and dynamic capabilities approach to examine the role of marketing competencies (specifically, market responsiveness) in improving marketing performance for exporting firms in an emerging market (Pakistan) under conditions of highly competitive intensity. They find a moderately positive relationship, indicating that marketing performance improves with higher levels of competitive intensity. In this case, a highly competitive environment seems to play a positive role, allowing marketing competencies, through market responsiveness, to have a more positive influence on performance.

MAIN FOCUS OF THE CHAPTER

Hypotheses Development

Competitive differentiation strategies have a positive effect on export performance (McGuinness & Little, 1981; Aulakh et al., 2000; Morgan et al., 2004; Boehe & Cruz, 2010; Leonidou et al., 2015; Falahat & Migin, 2017; Keskin et al., 2021; Arun & Yildirim Ozmutlu, 2024). The literature suggests that export performance is strongly influenced by competitive strategic choices, with their competitive or positional advantages in the market and with the availability of key resources and skills (Morgan et al., 2004). Therefore, we raise the following hypothesis:

Hypothesis $_1$: Competitive differentiation strategies have a positive effect on the export performance of Mozambican SMEs.

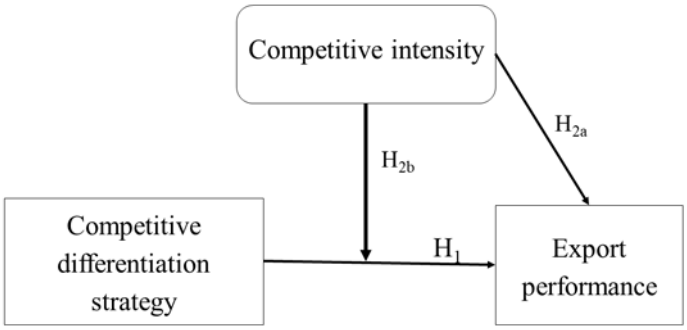
Competitive intensity has a direct and positive impact on export performance, as exporting firms are those that have competitive advantages that allow them to compete in wider international markets (Fuchs & Kostner, 2016; Leonidou et al., 2015; Morgan et al., 2004; Navarro-García et al., 2016). On the other hand, the competitive intensity positively moderates the export performance (Khan & Khan, 2021; Lengler et al., 2014; Morgan et al., 2004). In this chapter, we will analyze the moderating effect of competitive intensity on the relationship between competitive strategy and export performance, so we propose the following hypotheses:

Hypothesis $_{2a}$: Competitive intensity positively influences the export performance of Mozambican SMEs.

Hypothesis $_{2b}$: The competitive intensity positively moderates the relationship between the competitive differentiation strategy and the export performance of Mozambican SMEs.

The conceptual model proposed is presented in Figure 1. This model suggests that competitive strategy is a determinant of export performance. Competitive intensity has a direct positive relationship with export performance, i.e., firms that adopt competitive strategies to differentiate their products or services survive in the intense competitive market have a high export performance. On the other hand, the competitive intensity of the market positively moderates the relationship between competitive differentiation strategies and export performance, which means that when competitive intensity increases, export performance also increases.

Figure 1. Proposal of the conceptual model



Source: Own elaboration

Method

Questionnaire Development and Measurement Scales

This study employed multidimensional scales adapted from previous research to measure the three key constructs: competitive differentiation strategy (Aulakh et al., 2000; Morgan et al., 2004), export performance (Aulakh et al., 2000; Jantunen et al., 2005; Kuivalainen et al., 2007; Zou & Stan, 1998) and competitive intensity (Jaworski & Kohli, 1993; Morgan et al., 2004).

Data collection involved a self-administered questionnaire distributed online through Google Drive LimeSurvey. The questionnaire was available in both English and Portuguese to cater to the target population. A seven-point Likert scale (1 = Strongly disagree, 7 = Strongly agree) was used to measure all constructs.

To ensure clarity and reduce respondent burden, the questionnaire underwent a pre-test with a convenience sample of eight individuals (university professors and managers). This pre-test helped refine the wording, organization, and formatting of the questionnaire, while assessing comprehension and completion time. Based on the feedback, terminology was simplified and the number of items per variable was minimized to maintain a reasonable questionnaire length. While telephone and in-person approaches were used to encourage participation, all responses were ultimately recorded online.

Sampling and Data Collection

A sample of 400 exporting SMEs from Mozambique was extracted from the Agency for the Promotion of Investment and Export (APIEX) database. From an initial pool of 305 completed responses to the survey sent out, 250 completed responses were obtained, representing a response rate of 62.5%. The sample included firms from various sectors: Agro-industry (19.2%), Wood Processing (35.6%), Fishery Products (26.8%) and Agricultural Products (18.4%). Most of these SMEs were small to medium-sized, with 67.2% employing 5-49 workers and 32.8% employing 50-100 workers. Notably, 84% of the surveyed SMEs exported to 1-3 countries.

Prior to analysis, the psychometric properties of the scales used (unidimensionality, reliability and validity) were assessed using established statistical tests (Hair et al., 2014). Internal consistency was confirmed through Cronbach's alpha coefficients.

Partial least squares structural equation modeling (PLS-SEM) with SmartPLS 3.0 software was employed for the main statistical analysis. This method is well-suited for this study due to its robustness with potentially non-normal data (Henseler & Chin, 2010) and its effectiveness with moderate sample sizes (Hair et al., 2011), although our sample size exceeded the minimum of 200 responses.

The measurement model was evaluated for reliability, convergent validity, and discriminant validity. Importantly, PLS-SEM utilizes bootstrapping to assess the statistical significance of relationships, making it appropriate even for non-normal variables that can arise when multiplying normally distributed variables (Bollen & Stine, 2014; Efron, 1988).

Measurement of Variables

Table 3 presents the analysis of the internal consistency of the scales of the three constructs, based on Cronbach's alpha and rho_A. The reliability coefficients all have values above the recommended value of 0.70 (Hair et al., 2011).

Table 3. Analysis of internal consistency

Variables	*Cronbach's alpha*	*rho_A*
Competitive differentiation strategy	0.924	0.925
Export performance	0.938	0.947
Competitive intensity	0.906	0.958

Source: Own elaboration

Table 4 presents factor loadings of the items, which were obtained through *bootstrapping* with 5,000 interactions. Items EP3 and SD5 were removed because they presented factor loadings lower than the minimum *threshold* value required. All other items have factor loadings equal to or greater than the minimum recommended limit of 0.7 (Götz et al., 2010).

Table 4. Factor loadings

Construct	**Variables/Items**	**Factor loadings**
Export Performance	Adapted from Jantunen *et al.* (2005); Kuivalainen *et al.* (2007); Aulakh *et al.* (2000);Zou & Stan (1998)	0.889 0.847
	(EP1) Exporting has contributed to the sales growth of our firm	-
	(EP2) Exporting has improved our firm's market share	0.864
	(EP3) Our export activity has made our firm more competitive	0.878
	(EP4) Exporting has contributed to our Profitability	0.918
	(EP5) Exporting has contributed to enter in new markets	0.837
	(EP6) Exporting has contributed to improve our international image	
	(EP7) Exporting has contributed to improve the development of our know-how	
Competitive Strategy	Adapted from Morgan *et al*. (2004); and Aulakh *et al.* (2000)	0.830
	Marketing differentiation	0.778
	(MD1) Improving/maintaining advertising and promotion	0.865
	(MD2) Building brand identification in the export venture market	
	(MD3) Adopting new/innovative marketing techniques and methods	0.703
	Product/service differentiation	0.844
	(SD1) Maintaining higher quality standards for our products	0.834
	(SD2) Maintaining unique image for our products	0.757
	(SD3) Differentiating products and services from competitors	-
	(SD4) Achieving/maintaining quick product delivery	0.851
	(SD5) Achieving/maintaining prompt response to customer orders	
	(SD6) Offering extensive customer service	
Competitive Intensity	Adapted from Morgan *et al*. (2004); Jaworski and Kohli (1993)	0.699
	(CI1) Competition in our export market is cut-throat	0.871
	(CI2) There are many promotion wars in our export market	0.904
	(CI3) Anything that one competitor can offer others can match easily	0.858
	(CI4) Price competition is a hallmark of our export market	0.904
	(CI5) One hears of a new competitive move almost everyday	

Source: Own elaboration

Table 5 describes the Average Variance Extracted (AVE), Composite Reliability (CR) and the correlations of each latent variable used. CR values are higher than the recommended minimum of 0.6 (Götz et al., 2010), indicating that all constructs have adequate internal consistency. In addition, the AVE of each construct is higher than the minimum expected limit of 0.5 (Götz et al., 2010), which guarantees its convergent validity. Finally, discriminant validity was obtained for each construct, since the square root of AVE is greater than the absolute value of all correlations with the other constructs, as shown in Table 5.

Table 5. Discriminant validity

Variables	**Correlations**		
	1.	**2.**	**3.**
1. Competitive strategy of differentiation	**0.810**		
2. Export performance	0.605	**0.873**	
3. Competitive intensity	0.586	0.518	**0.851**
Composite Reliability (CR)	0.938	0.950	0.929
Average Variance Extracted (AVE)	0.655	0.761	0.724

Note: Diagonal elements (in bold) are the square root of the AVE. Outside of diagonal elements are simple bivariate correlations between constructs

Source: Own elaboration

Hypotheses Testing

Linear regression analysis was used to test hypothesis H_1 and hierarchical regression analysis to test hypotheses H_{2a} e H_{2b} (Aguinis & Gottfredson, 2010; Arnold, 1982; Sharma et al., 1981).

Table 6 presents the results: the variable competitive differentiation strategy was used as independent variable in model 1, the variable competitive intensity as independent in model 2. The effect of competitive intensity is examined in model 3 with the inclusion of the two relationships to be tested: competitive differentiation strategy and competitive intensity (figure 2).

Model 1 validated the direct effect of competitive differentiation strategy on export performance ($\beta = 0.604$, $p < 0.001$), supporting H_1 (positive effect). Similarly, Model 2 tested the direct effect of competitive intensity ($\beta = 0.25$, $p < 0.001$), supporting H_{2a} (positive effect). Model 3 incorporated both independent variables and their interaction term. The results revealed a negative interaction effect ($\beta = -0.126$, $p < 0.001$), indicating that competitive intensity negatively moderates the relationship between differentiation strategy and export performance. Therefore, H_{2b} is not supported.

Table 6. Summary of regression analysis

Variables	**Model 1**	**Model 2**	**Model 3**
Competitive strategy of differentiation	0.604*	0.459*	0.369*
Competitive intensity	-	0.249*	0.224*
Competitive strategy of differentiation x competitive intensity	-	-	-0.126*

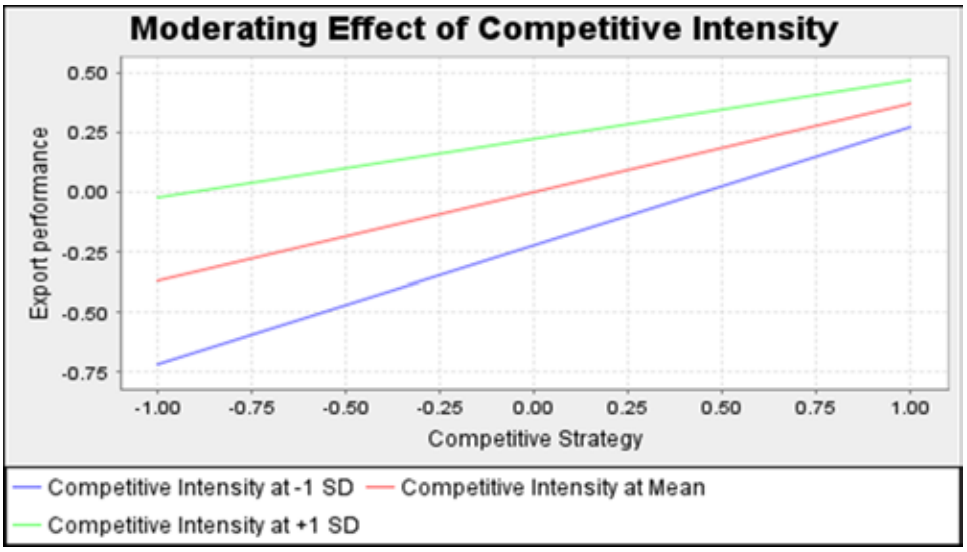
continued on following page

Table 6. Continued

Variables	Model 1	Model 2	Model 3
R^2	0.365	0.407	0.432
R^2 Adjusted	0.362	0.402	0.426

Note: n = 250; non-standardized regression coefficients are reported; *p < 0.001
Source: Own elaboration

Figure 2. Moderating Effect of Competitive Intensity



Source: Own elaboration

SOLUTIONS AND RECOMMENDATIONS

The results of model 1 confirm that competitive differentiation strategies have a direct positive influence on the export performance of Mozambican SMEs, which is in line with previous studies (Arun & Yildirim Ozmutlu, 2024; Aulakh et al., 2000; Boehe & Cruz, 2010; Falahat & Migin, 2017; Leonidou et al., 2015; Keskin et al., 2021; McGuinness & Little, 1981; Morgan et al., 2004). This result can be substantiated on the following factors: first, exporters from emerging economies can leverage positive consumer perceptions by differentiating their products based on the size of the country of origin and, over time, can build lasting brand reputations. In addition, the cost of implementing a differentiation strategy is lower in developing countries than in developed ones (Aulakh et al., 2000); second, firms in emerging economies concentrate on small groups of foreign markets and are therefore more successful in increasing their export performance by using a differentiation strategy rather than those that direct their exports to a large number of countries (Boehe & Cruz, 2010); and, third, differentiation strategies are leveraged on intangible resources and dynamic competencies that allow firms to overcome their lim-

itations, which leads them to a superior export performance in international markets (Falahat & Migin, 2017). Thus, it is possible to validate Hypothesis 1.

The effect of competitive intensity increases the explanation power of the model, as presented in model 2. As Mozambican SMEs face international competition their performance improves, increasing the explanatory capacity of the model from 36.5% to 40.7%. Thus, as competition intensifies, Mozambican SMEs generally react positively to the stimulus of competitive intensity and stronger competitors, adjusting their competitive behavior to international markets (Auh & Menguc, 2005; Barnett, 1997; Westhead et al., 2004; Ribau et al., 2017). Thus, the H_{2a} can be validated.

The results presented by model 3 and Figure 2 reveal a negative interaction between the competitive differentiation strategy and the competitive intensity. This implies that the moderator effect tested is not validated, rejecting H_{2b}. From Figure 2 it is possible to conclude that the difference in export performance associated with an increased differentiation strategy is greater in firms facing lower competitive intensity compared to those facing higher competitive intensity. This indicates that Mozambican SMEs with a low level of competitive pressure may not need to invest heavily in developing significant differentiation advantages.

However, as the level of differentiation advantage increases, so does the export performance of Mozambican SMEs. As competition intensifies, so does the supply of differentiated products, as well as imitation, which results in two possible, although not exclusive, situations: greater difficulty in differentiation and a greater effort to adapt to the new competitive intensity, which implies that as competitive intensity increases, export performance is affected.

Thus, we can affirm that the increase in competitive intensity in international markets is a limiting factor in the development of Mozambican firms, hindering the increase in their performance (Auh & Menguc, 2005; Barnett, 1997; Ribau et al., 2017; Westhead et al., 2004). Furthermore, well-established firms with differentiation strategies, offering unique products or services at premium prices, may benefit from differentiation advantages and higher domestic sales volume. However, they may not achieve the same success in international markets due to increased competition and imitation in larger and more competitive markets (Halikias & Salavou, 2014).

This chapter presents two implications for theory development in the areas of business strategy and export performance. Firstly, it emphasizes the importance of competitive differentiation strategies for the export performance of SMEs from emerging economies, such as Mozambique. The second implication relates to the complex role of competitive intensity on export performance.

Insofar as competitive intensity, while providing a positive reaction for less established firms with differentiating advantages, leading to increased export performance, for highly differentiating firms, increasing competitive intensity does not necessarily translate to higher export performance, which may indicate the following:

- Mozambican SMEs have developed strategies that allow them to compete with some differentiation strategies in markets with low competitive intensity, however these skills are not enough to develop highly differentiated products and services in markets with highly competitive intensities, hence the difference in the increase in export performance between firms competing in environments with low and highly competitive intensity.
- There is a clear need for Mozambican SMEs to develop unique skills that will enable them to compete with products and services with higher marginal contribution to compete in markets with highly competitive intensity.

- There is a need for Mozambican SMEs to develop greater international experience, especially in competitive markets, in order to be able to develop products and services with high technological intensity, capable of facing international competitiveness, especially since differentiation strategies are positively associated with good performances in export markets.
- It is important to develop a public policy that allows for the further development of core and distinctive skills within Mozambican firms, to support their competitiveness in wider and more demanding markets, such as international markets.

As for the practical implications, the research reveals that exporting firms from emerging countries can take advantage of competitive differentiation strategies to increase their export performance. Moreover, when competitive intensity increases, more established firms in terms of differentiation advantages need to be more proactive, develop their internal competencies and international experience, as their export performance may decrease.

FUTURE RESEARCH DIRECTIONS

Future research could explore the combined effect of product or service differentiation strategies and export performance, while considering the mediating role of competitive or positional advantages held by exporting SMEs. This would allow for a more nuanced understanding of the relationship and facilitate comparisons across different contexts.

CONCLUSION

This research investigated the impact of competitive differentiation strategies on the export performance of firms and examines the moderating effect of competitive intensity on this relationship. The results reveal a direct positive effect of the differentiation strategy on export performance. By adopting a differentiation strategy for their products and services, Mozambican SMEs can potentially experience increased sales, improved market share, higher profit contributions, discovery of new markets and an enhanced image in international markets. However, competitive intensity has a negative moderating effect on the relationship between the competitive differentiation strategy and export performance. This means that as competitive intensity increases, the positive impact of differentiation on export performance diminishes as firms gain greater competitive advantages.

Limitations of this study include the use of one informant per firm and the cross-sectional nature of the research design. Longitudinal research, which captures changes over time, may need to be implemented to try to capture richer insights.

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KEY TERMS AND DEFINITIONS

Competitive Advantage: A competitive advantage is an edge a company possesses that allows it to outcompete rivals. This edge can come from various factors like access to valuable resources, cutting-edge technology, or a highly skilled workforce. By offering greater value, higher quality, or a unique selling proposition to customers, a company can build this advantage, as it is possible to retain customers or foster brand loyalty.

Competitive Intensity: Competitive intensity captures the pressure companies face in crowded, competitive markets. When associated with international markets, it is normally associated with the way businesses aggressively fight for market share and growth. This intensity reflects the level of competition, with companies constantly reacting and adapting to each other's moves. Normally, the harsher the competition, the lower the business performance.

Differentiation Strategy: A differentiation strategy is a blueprint for a business to stand out from competitors. It involves offering (and providing) customers something unique, distinct from competitor products. The goal is to build a competitive advantage by understanding your strengths, customer needs, and the overall value you can deliver. There are two main approaches: broad differentiation, targeting a large audience with a general appeal, and focused differentiation, catering to a specific niche market with tailored features.

Export Performance: It is a specific type of performance that focuses on a company's success in selling goods or services in international markets. It essentially measures how effectively a company achieves its export goals. It is normally related with the way firms achieve growth in export sales volume and gain market share in foreign markets.

Moderation effects: They occur when the relationship between two variables (let's call them X and Y) is influenced by a third variable (M). This third variable is called the moderator and it changes the strength or direction of the effect X has on Y. In simpler terms, moderation helps us understand under what conditions a relationship between two variables holds true. The moderator variable acts like a dimmer switch, turning the effect of X on Y up or down depending on its level.

Performance: Generically, performance refers to the achievement of a goal or objective. It is a measure of how well something functions, operates, or produces the desired outcome. When linked to business performance, it is an indication of how well a business operates.