



Export-specific investments, competitive advantage, and performance in Vietnamese SMEs: The moderating role of domestic market conditions

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ABSTRACT

We develop a conceptual model, based on the theories of Resource-based View, Industrial Organization, and Institution-based View, that examines the effect of export specific investments on creating competitive advantage in export markets, as well as the impact of this advantage on the firm's export performance. With a sample obtained from 159 Vietnamese SME exporters, we confirm that investments in export-related human, innovation, marketing, and financial resources help to generate both a cost reduction-based and product differentiation-based export competitive advantage that are conducive to enhanced export performance. The association between export-related resource investments and cost reduction-based or product differentiation-based competitive advantage was also found to be moderated by specific domestic market conditions, namely institutions, infrastructure, bureaucracy, and competition.

1. Introduction

Small and medium-sized enterprises (SMEs) from emerging and transition economies (ETEs) are increasingly becoming involved in international trade by pursuing different foreign market entry modes, especially exporting, which is considered as less risky, costly, and complex (Chandra et al., 2020; Leonidou & Katsikea, 2010).¹ Strategically, the export business success of these firms, like the one of their counterparts in developed economies (DEs), is mainly associated with the competitive advantage that results from their ability to design and implement sound strategies in foreign markets to gain superior performance (Aulakh et al., 2000; Cadogan et al., 2016). However, ETEs are economies whose governments support the free-market system and adopt policies of economic liberalization and competition, but at the same time have weak domestic market-supporting conditions that create negative pressures on their exporting firms (Nguyen et al., 2012; Soeng & Cuyvers, 2018).

These problematic domestic market-supporting conditions include,

among others: (a) *ineffective formal institutional bases* (e.g., contracting institutions and property rights), which are often incomplete, dysfunctional in nature, and changing in an unpredictable way (Ngo et al., 2016); (b) *inadequate infrastructural facilities* (e.g., road, transport, energy/power, water, telecommunications), which have a negative impact on logistics, production, and other costs (Giang & Low, 2015); (c) *bureaucratic administrative procedures*, which make industrial policies ineffective (or even non-implementable) and can result in bribery and corruption (Luo & Junkunc, 2008); and (d) *diversified competitive structures*, which are caused by continuous reform policies and the existence of an insufficient regulatory framework for protecting firms from illicit competition (Peng, 2003).

Using as a theoretical base the 'strategy tripod' (which comprises the Resource-based View (RBV), the Industrial Organization (IO), and the Institution-based View (IBV)), we aim to provide insightful explanations of the strategic aspects of SME exporters located in ETEs, taking into consideration the constraints imposed by their domestic market conditions. Specifically, we have three research questions to address: (a) How

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¹ In Vietnam, SMEs are defined as those having no more than 250 full-time employees (Source: Degree N0.39/2018/NĐ-CP on guidelines for law on support for small and medium-sized enterprises), with this definition being comparable to that adopted by European Commission (https://ec.europa.eu/growth/smes/sme-definition_en)

can export-related resource investments help to build a cost reduction-based or product differentiation-based competitive advantage in SMEs located in ETEs? (b) What is the impact of possessing these competitive advantages on SMEs' export performance? and (c) How do key domestic market conditions (i.e., institutions, infrastructure, bureaucracy, competition) prevailing in ETEs moderate the relationship between SMEs' export-related resource investments and their competitive advantages?

Our study contributes to the international business discipline in three ways. *First*, we analyze the factors that influence the impact of potential strategic ability on the firm's competitive advantage through the mechanism of resource investment. Although previous studies (e.g., Genc Turk & Kotabe, 2001; Leonidou et al., 2011; Malca et al., 2020; Singh, 2009) provide some evidence on the role of external origin of the firm's export resources, they put little emphasis on the internal origin of these resources through the exporting firm's own investments. In other words, we unbundle 'the origin of the origin' as put in Porter's (1991) language, rather than the current state of the firm's strategic ability, competitive advantage, and performance. Specifically, we stress the critical role played by SMEs' investments made in human, innovation, marketing, and financial resources in generating an export competitive advantage.

Second, we distinguish between cost reduction and product differentiation aspects of competitive advantage and show that both can have an instrumental role in helping SMEs located in ETEs to achieve superior performance in export markets (Keskin et al., 2021; Morgan et al., 2004). More importantly, we indicate that, as opposed to the prevailing view that firms should follow either a cost reduction or product differentiation orientation in building a competitive advantage, they can adopt a mixture of these advantages to achieve better export performance results. This approach has been mentioned in management literature (Flynn & Flynn, 1996; Pertusa-Ortega et al., 2009; Salavou, 2015), but largely overlooked in exporting research (Leonidou et al., 2011). The coexistence of these two types of competitive advantage reflects recent advancements in information, production, and logistics technologies that allow firms to differentiate their products, while at the same time reducing their costs (Albaum et al., 2016).

Third, we stress the instrumental role of domestic market conditions in moderating the effect of investments in specific organizational resources on export competitive advantage. Although tangentially tackled by extant research (e.g., İpek & Tanyeri, 2021; Krammer et al., 2018; Manolopoulos et al., 2018), our study is perhaps among the first to show that the SMEs' competitiveness in international markets could be influenced, not only by resources resulting from their own investments, but also by the prevailing domestic market conditions, such as institutional quality, infrastructure facilities, level of bureaucracy, and nature of competition. This is more interesting to be investigated within the context of ETEs, where such conditions are usually less favorable. Hence, although environmental factors prevailing in foreign markets are important considerations when analyzing the firm's export behavior (Aulakh et al., 2000; Leonidou et al., 2015), domestic market conditions are equally important. In fact, in the case of ETEs, these domestic market influences on their indigenous firms' export activities are even more critical because of high levels of uncertainty associated with rapid market transformations, unpredictable institutional changes, and accelerated rates of economic growth (Ngo et al., 2016).

In the remainder of this article, we first provide an overview of the pertinent literature with regard to the domestic environment of ETEs, the firm's resources, and their effect on strategic choices in exporting. This is followed by an explanation of the theoretical perspectives of the study, which center on the 'strategy tripod'. Then, we explain the conceptual model and develop the research hypotheses. Subsequently, we explain the research methodology employed. The next section focuses on the data analysis conducted and the discussion of the results obtained. The final sections draw conclusions, offer managerial and public policy implications, and suggest directions for future research.

2. Prior research

While in the case of DEs the impact of domestic market-supporting conditions on the firm's strategic choices is somehow invisible (because markets work smoothly), in the case of ETEs, this impact is more conspicuous, especially when the markets work poorly (McMillan, 2007). Due to their transitional nature, the domestic market-supporting conditions of ETEs (especially those referring to institutions) are either lacking or weak, which leads to an extremely volatile and unpredictable business environment (Hoskisson et al., 2000; McMillan, 1995, 2007; Peng, 2003). To gain competitive advantage in this hostile context, indigenous firms tend to rely more on short-term orientation and network-based strategies, rather than on resource-based strategies (Doh et al., 2017; Marquis & Raynard, 2015; Meyer & Peng, 2016). In contrast, the prevalence of strong domestic market-supporting conditions, such as stable and enforceable rules and regulations, tends to minimize transaction costs, reduce uncertainty, and allow for the effective access and deployment of organizational resources (McMillan, 2007).

International business researchers (e.g., Meyer et al., 2009; Peng & Khoury, 2008) have repeatedly stressed the importance of domestic market conditions of ETEs in explaining and predicting the strategic ability and potential of SMEs in these economies. They also underlined the need to investigate the role of the firm's owned and/or controlled resources in influencing the adoption of sound competitive strategies in foreign markets (Ruzzier et al., 2006). In fact, firms need to invest, using either accumulation and/or acquisition methods, in order to gain such strategic export-related resources that would help them to succeed in the international marketplace (Amit & Schoemaker, 1993; Barney, 1986, 1991; Dierickx & Cool, 1989).

Previous international business research provided strong evidence of the direct or indirect relationship between domestic environmental conditions and the strategic choice and performance of exporting firms. For example, İpek & Tanyeri (2021) showed that certain environmental dimensions of the home country (i.e., economic, regulatory, sociocultural) interact with organizational resources to influence the export market orientation of Turkish firms. Manolopoulos et al. (2018) also found that the home institutional context (i.e., corruption, export bureaucracy, export-related regulations) significantly moderates the impact of firm resources on export performance. In addition, Revindo and Gan (2016) study of Indonesian SMEs, examining the factors stimulating their export activity, stressed the low impact of domestic government support, while another Indonesian study by (Kurniawati, 2021) underscored the need for public policymakers to improve their country's net exports through the development of a sound domestic infrastructure that would subsequently help to attract export business investments.

Although ETEs are heterogeneous, not only in terms of differences in their economic, political, and sociocultural conditions (Hoskisson et al., 2000; Wright et al., 2005), but also because of differences in the development phase in which they are situated (Meyer et al., 2009; Peng, 2003), most of the previous research (Aulakh et al., 2000; Calof & Viviers, 1995; Christensen et al., 1987; Efrat et al., 2018; Gao et al., 2010; Krammer et al., 2018; Shinkle & Kriauciunas, 2010; Zhao & Zou, 2002) focused on China, India, and Brazil. However, there are countries (as in the case of Vietnam), which, although at a less advanced stage of transition, have been relatively unexplored in terms of their indigenous firms' export activities. Our study focuses on SME exporters located in Vietnam, not only because this country provides a representative case of the group of transition, emerging, and developing economies at the

lower middle-income level, but also because of following a deliberate strategy to increase its involvement in international trade over the last few decades (Deprez, 2018).²

3. Theoretical background

As already mentioned, our study is grounded on three theoretical pillars, namely Resource-based view (RBV), Industrial organization (IO), and Institution-based view (IBV), which comprise the ‘strategy tripod’ (Gao et al., 2010; Peng et al., 2009). The RBV states that because resources help the firm to adopt competitive strategies, the existence of heterogeneity in resources should provide a source of competitive advantage (Barney, 1991, p. 102). The extent to which competitors cannot duplicate the firm’s competitive strategy will depend on the degree that its organizational resources are valuable, rare, imperfectly imitable, and not substitutable (Barney, 1991, 2001). These unique attributes mainly result from the firm’s investment efforts in these resources, which can be performed in either semi-automatic or deliberate ways (Ethiraj et al., 2005; Zollo & Winter, 2002). Although firms can buy or sell the required resources to implement their strategies, there are certain resources that are non-tradeable and therefore have to be accumulated internally by making the necessary investments (Dierickx & Cool, 1989).

Like the RBV, the IO theory also states that strategic variations between firms within the same industry can result from the different ways in which the initial differences among firms are reflected in terms of tangible or intangible assets (Porter, 1979). In fact, without reinvestment, these assets will rapidly depreciate and, as a result, firms cannot conceive and implement their competitive strategies (Porter, 1991). However, according to the IO theory, the firm’s internal and external assets become valuable only to the extent that they conform to a particular industry structure and a particular strategy. Technological, industry, market, and other external changes can invalidate assets or even turn them into liabilities (Porter, 1991, p. 103). Hence, the IO theory also proposes investment in resources as an important means of gaining a competitive advantage, but insists on the role of industrial factors that can influence the impact of the firm’s investment in resources on its competitive advantage and performance.

The IBV posits that in making their strategic choices, firms are guided, apart from organizational (e.g., resources) and industrial (e.g., competitive intensity) factors, by formal and informal constraints set by the institutional framework they operate (Peng et al., 2009). Hence, the firm’s strategic choices are influenced by institutional factors through the use of cognitive, normative, and regulative mechanisms, that can have either a facilitating or inhibiting role (Hoskisson et al., 2000; Welter & Smallbone, 2011). In fact, the extent of institutional pressures on the firm will depend on its specific nature (e.g., new start-up *versus* mature), its specific size (e.g., small *versus* large), and its specific resources (e.g., financial *versus* technological) (LiPuma et al., 2013; Peng, 2003). Notably, there has been little investigation of the role of institutions and other domestic market factors on the firm’s resource investments as a major internal source of strategic ability, competitive advantage, and performance.

4. Model and hypotheses

Fig. 1 presents the conceptual model of the study, which shows the relationships between the firm’s investments in specific export resources, export competitive advantage, export performance, and

domestic market conditions. This model is anchored on the ‘strategy tripod’ theories (i.e., RBV, IO, and IBV). While according to RBV, the firm’s investment in resources provides a source of competitive advantage and performance (because this determines its ability to design and implement competitive strategies), the IO theory puts more emphasis on the role of industry-related factors (e.g., competition) that can affect the impact of the firm’s investments on its competitive advantage, and IBV suggests that this relationship can be indirectly influenced by institutional-related factors (e.g., institutional quality). The firm’s resource investment is therefore the mechanism through which the ‘strategy tripod’ can be integrated into a single conceptual framework to explain the firm’s competitive advantage and performance under various domestic market conditions.³

Although the traditional approach of the ‘strategy tripod’ perspective focuses only on the direct and combined effect of resource-, industry- and institution-related factors on the company’s competitive strategies and performance (Gao et al., 2010), in our study we go a step further by shedding light on how the firm’s internal (i.e., export-related resource investments) and external (i.e., domestic institutional and non-institutional conditions) factors interact to influence the firm’s export competitive advantage (which subsequently has an impact on export performance). Thus, we provide a new lens to answer the core question in strategic management of how internal and external considerations influence the firm’s success or failure (Peng, 2014; Peng et al., 2009). Moreover, the application of the ‘strategy tripod’ within an ETE context brings to the surface new issues regarding the inhibiting or facilitating role played by the unique characteristics of the domestic environment in these countries on the exporting firms’ strategic approaches to foreign markets.

4.1. Export resource investments and export competitive advantage

Export resource investments are the firm’s intended or deliberate and consistent policies of asset formation (through acquisition and/or accumulation methods) by choosing an appropriate path of expenditures aiming to adopt competitive strategies that improve its efficiency and effectiveness over time (Barney, 1986, 1991; Dierickx & Cool, 1989; Ethiraj et al., 2005; Zollo & Winter, 2002).⁴ Having appropriate resources enables firms to formulate and implement various competitive strategies and therefore improve their competitive edge. Various studies have revealed that investing in resources, such as machinery and equipment (De Long & Summers, 1991), high-tech capital (Morrison, 1993), information technology (Bharadwaj, 2000), and corporate reputation (Roberts & Dowling, 2002) has a positive impact on competitive advantage and financial performance at organizational,

³ RBV is a theory focusing on internal aspects of the firm, while both the IO and IBV mainly focus on external aspects of it. Although, these three theories stress their impact on the firm’s competitive advantage and performance, resource investments (which is the focus of RBV) have a direct effect because they are responsible for shaping strategic actions that are controlled by the firm and are mainly responsible for generating the firm’s export competitive advantage (which will ultimately influence export performance). In contrast, domestic competition, institutional quality, infrastructure, and bureaucracy (associated with IO and IBV) can be partially controlled or not controlled at all by the firm, hence indirectly influencing export competitive advantage.

⁴ Although RBV focuses on organizational resources that conform to the VRIN/VRIO criteria, that is, to be valuable, rare, inimitable, and non-substitutable/organized, to obtain this kind of resources, there is a need to make the necessary investments. For this reason, our study goes a step further to examine the ‘origins’ of these resources that are required to achieve sustained competitive advantage and superior performance. Given the limited investment in sum, our findings revealed that resource investments made by Vietnamese exporters were prioritized as follows: export marketing investments ($\bar{x} = 4.36$), export innovation investments ($\bar{x} = 4.27$), export human investments ($\bar{x} = 3.84$), and export financial investments ($\bar{x} = 2.36$).

² Vietnam is a member, partner and, in some cases, co-founder of various international trade organizations and trade agreements, such as the World Trade Organization (WTO), the EU-Vietnam Free Trade Agreement (EVFTA), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the Regional Comprehensive Economic Partnership (RCEP).

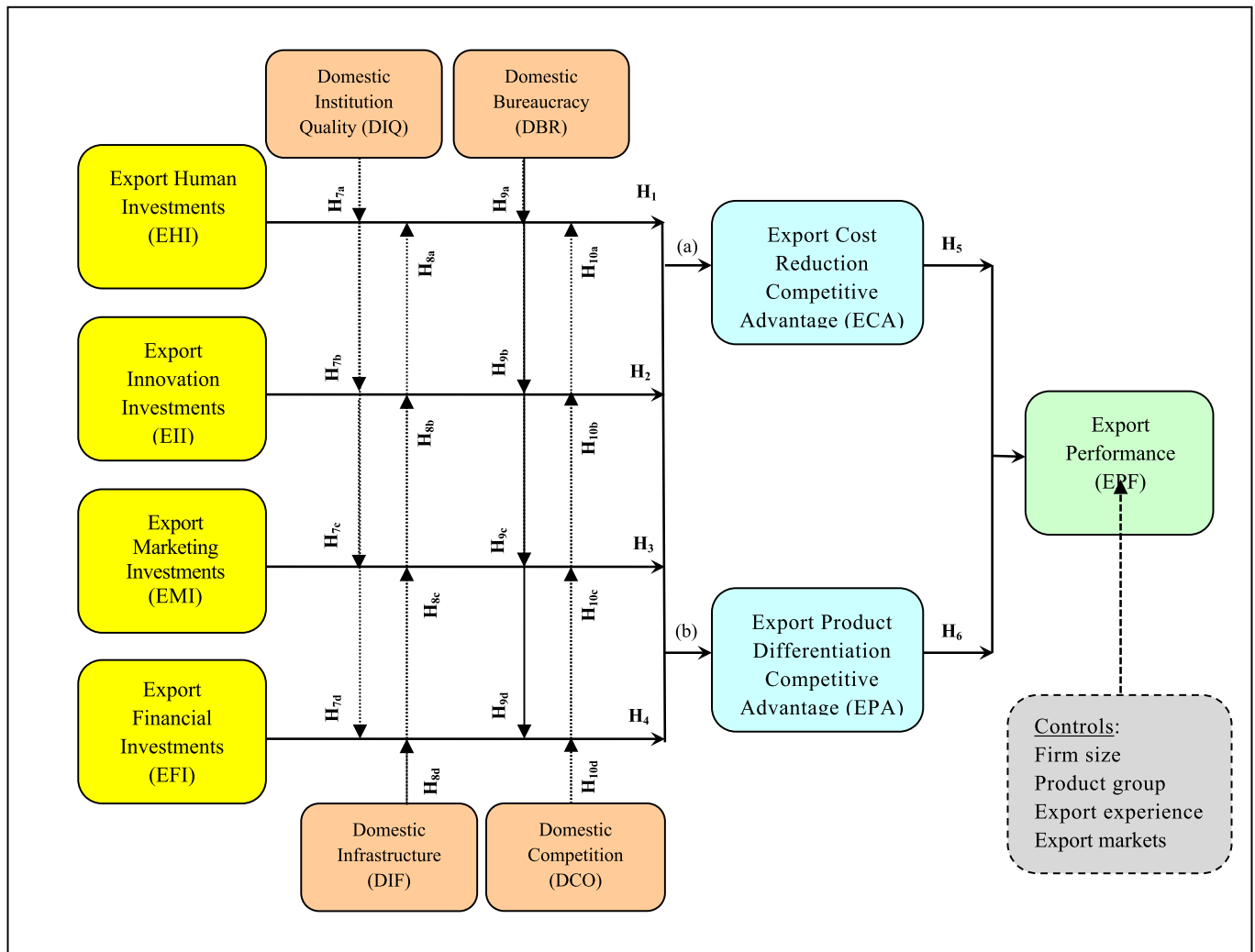


Fig. 1. Conceptual Model.

industrial, and national levels. In the exporting field, many investments in resources are related to human, innovation, marketing, and financial assets (Leonidou et al., 2011; Morgan et al., 2004). Existing exporting research provides some evidence on the effect of external origin of the firm's export resources such as export assistance and promotion programs (Gencturk & Kotabe, 2001; Malca et al., 2020; Singh, 2009). However, exporting firms can only own such resources in a more sustainable manner if they invest internally in these assets (Gencturk & Kotabe, 2001; Leonidou et al., 2011). In the case of ETEs, SMEs' finance, human, innovation, and marketing resources are still underdeveloped for several reasons (Chandra et al., 2020), such as the ineffectiveness of formal financial market institutions and the prevailing use of connections for accessing bank loans (Ngo et al., 2022), the historical and institutional context and the low formality level of HRM practices (Nguyen et al., 2012), and the low level of innovation partially due to the lack of financial resources and government support (Chundakkadan & Sasidharan, 2020). Therefore, within the context of ETEs, it is reasonable to argue that SMEs deliberately investing in their export-related resources could gain higher competitive advantage, either based on cost reduction or product differentiation, than non-investing ones. This leads us to the following hypotheses:

H₁: Investment in human assets by SMEs from an ETE has a positive effect on: (a) export cost reduction advantage and (b) export product differentiation advantage.

H₂: Investment in innovation assets by SMEs from an ETE has a

positive effect on: (a) export cost reduction advantage and (b) export product differentiation advantage.

H₃: Investment in marketing assets by SMEs from an ETE has a positive effect on: (a) export cost reduction advantage; and (b) export product differentiation advantage.

H₄: Investment in financial assets by SMEs from an ETE has a positive effect on: (a) export cost reduction advantage; and (b) export product differentiation advantage.

4.2. Export competitive advantage and export performance

Owing to its reliance on unique resources, a competitive advantage indicates the firm's superiority in terms of cost reduction and/or product differentiation aspects against its direct competitors (Porter, 1991). A cost reduction advantage helps the exporting firm to offer lower prices than the competition in foreign markets and generate more customer value (Kotler & Keller, 2006). This will attract more customers and enhance customer satisfaction, which will in turn result in greater sales, more profits, and other gains (Leonidou et al., 2011; Morgan et al., 2004; Murray et al., 2010). On the other hand, a product differentiation advantage indicates the firm's superiority over its major competitors with regard to product attributes (e.g., design, quality, features) that improve the benefit side of the customer value equation (Kotler & Keller, 2006). This will help to enhance customer satisfaction/loyalty, as well as attract new customers in foreign markets (Zou et al., 2003). Notably,

recent advancements in production, logistics, information, and allied technologies allow firms to make simultaneous use of these core competitive advantages in order to face the challenges of today's international business environment (Albaum et al., 2016). The firm creates a competitive advantage when it implements a value-creating strategy that is not simultaneously pursued by its competitors, while the degree of sustaining this advantage will depend on its suitability, durability, and superiority within a specific product-market (Huang et al., 2015). This is also the case of exporting firms located in ETEs, although, with the exception of a few studies (e.g., Efrat et al., 2018), the bulk of research focused on larger exporters. Despite resource constraints, one would also expect the achievement of a competitive advantage by SME exporters from these countries, whether cost reduction-based or product differentiation-based, to have a favorable effect on export performance. Although in doing business abroad it is difficult to gain and sustain both these advantages, when this is achieved it can significantly improve the firm's competitive edge in export markets (Leonidou et al., 2011; Marquis & Raynard, 2015). Based on the above, we may posit the following:

H₅: The possession by SMEs from an ETE of a cost reduction competitive advantage will lead to a higher export performance.

H₆: The possession by SMEs from an ETE of a product differentiation competitive advantage will lead to a higher export performance.

4.3. Domestic market conditions as moderators

To examine the moderating effect of ETEs' home market conditions on exporting SMEs' resource investments, we focus on four key factors, namely, institutional quality, infrastructural facilities, bureaucracy, and competition.

Domestic institutional quality. Institutions are defined as "the rules of the game" that can constitute formal (e.g., laws and regulations) or informal (e.g., conventions) constraints in a specific society (North, 1990, pp. 3-4). ETEs are often in a lawlessness situation due to lack or weak supporting institutions, especially in the early stage of their transition (Hoskisson et al., 2000). Even in the context of DEs (e.g., the USA), under uncertain regulatory conditions, firms rationally choose to delay investment or to invest in smaller and shorter projects, in order to reduce risk and uncertainty related to capital investment (Beazer, 2012; Teisberg, 1993). There is also evidence from other ETEs, such as Romania, Slovakia, Ukraine, and Russia, showing that when firms perceive property rights as less secure, they are more reluctant to use their retained earnings to reinvest, even when there is an availability of external sources, such as the provision of bank loans (Johnson et al., 2002). However, this evidence comes from studies focusing on the investment behavior of firms that only operate domestically, while operating in international markets involves even more risks, costs, and resources to confront many barriers and "distances" that arise during the export development process (Johanson & Vahlne, 1977; Leonidou, 1995, 2000, 2004). As such, exporters located in ETEs are more likely to be sensitive to any form of risk and uncertainty, such as those related to the poor institutional quality of their home market (Ngo et al., 2016; Soeng & Cuyvers, 2018). This can be responsible for reducing the firm's investment incentive in export-related resources and, therefore, weaken their expected positive impact on competitive advantage. Thus, we can hypothesize the following:

H₇: The positive effect of SMEs' investment in (a) human assets, (b) innovation assets, (c) marketing assets, and (d) financial assets on both its cost reduction-based and product differentiation-based export competitive advantage is weaker when operating in areas with low, rather than high, domestic institutional quality.

Domestic infrastructural facilities. The infrastructure conditions (e.g., roads, transport, energy/power, water, telecommunications) are still underdeveloped in many ETEs, both in terms of quantity and quality. This is because they are restricted, not only by their public resources, but also by the lack of appropriate mechanisms to attract private investment

in enhancing this infrastructure and offering efficient public goods/services (Estache et al., 2015; World Bank, 2002). Poor infrastructural facilities increase production and transaction costs, decrease productivity, and ultimately weaken the competitive edge of firms in ETEs (Tybout, 2000). Indeed, Zhao and Zou (2002) study among Chinese exporters revealed that firms have a higher propensity and intensity in exports when these are located in coastal areas due to better infrastructure (e.g., storage facilities, ports, railroads) that reduces transportation costs, as well as helping to connect more easily with supply chain members and foreign customers. For example, in Vietnam, although there has been some progress in the country's infrastructural development program (Schwenkel, 2015), the quality of its infrastructure is still inferior to that of most neighboring countries and very heterogeneous between local regions (Giang & Low, 2015). Hence, the existence of poor infrastructural facilities is expected to reduce the firm's investment incentive in export-related resources due to higher perceived costs and complexities, weakening in this way their positive impact on export competitive advantage. The following hypothesis can therefore be made:

H₈: The positive effect of SMEs' investment in (a) human assets, (b) innovation assets, (c) marketing assets, and (d) financial assets on both its cost reduction-based and product differentiation-based export competitive advantage is weaker when operating in areas with low, rather than high, domestic infrastructural facilities.

Domestic bureaucracy. Bureaucracy is defined as "superfluous and cumbersome administrative barriers in various forms that obstruct normal investment and business activities in the domain (region or industry) governed by related bureaucrats and officials in charge" (Luo & Junkunc, 2008, p. 134). Bureaucracy is widespread and more severe in ETEs than DEs, mainly due to the low quality of governance systems (Djankov et al., 2002; La Porta et al., 1999; World Bank, 2004). Firms in ETEs can deal with government bureaucracy by simply complying with cumbersome formalities (e.g., political engagement) or trying to shape them using various means (e.g., political influence) (Luo & Junkunc, 2008). In general, however, these administrative barriers can strongly and directly decrease the firm's competitive edge, as well as deter it from investing more in resources because they increase transaction costs, uncertainty, and corruption (Beazer, 2012; World Bank Group, 2013). In the case of ETEs, like Vietnam, bureaucracy is widespread and this is a consequence of the lack of inter-ministerial coordination in policy formulation and implementation, the existence of ill-qualified government officials, various distorted incentive mechanisms among stakeholders, and poorly formulated and implemented reform programs (Ohno, 2009; Pham, 2018). As these bureaucratic aspects are expected to reduce the exporter's incentive of resource investments because of higher cost and risk perceptions, resulting in a weakening effect of resource investments on export competitive advantage. Thus, we can posit that:

H₉: The positive effect of SMEs' investment in (a) human assets, (b) innovation assets, (c) marketing assets, and (d) financial assets on both its cost reduction-based and product differentiation-based export competitive advantage is weaker when operating in areas with high, rather than low, domestic bureaucracy.

Domestic competition. The institutional reforms of ETEs results in making the competitive structure in the domestic market more diversified, with four major forces taking place: (a) incumbent firms (primarily business groups, state-owned enterprises, and privatized companies); (b) entrepreneurial start-ups; (c) foreign entrants; and (d) multinationals from emerging economies (Peng, 2003; Tran, 2019). They are also responsible for indigenous firms becoming increasingly involved in the international marketplace, not only because private firms are now free to compete with state-owned companies in a variety of sectors, but also due to heightened domestic competition (Yamakawa et al., 2008). Previous research highlights the effect of competition on the firm's investment behavior, as in the case of Zhao and Zou (2002) study which found that a very high level of industry concentration negatively

influences Chinese firms' export propensity and intensity. This implies that if the level of competition in the domestic market is high, it can increase investment expenditure and managerial constraints that would deteriorate the firm's export competitive advantage (Efrat et al., 2018). Hence, heightened domestic competition, especially of an illicit nature, which is widespread but not well regulated in ETEs (Maskus & Lahouel, 2000; Sengupta & Dube, 2008), can decrease the firm's desire to invest in export-related resources because of higher perceived costs and risks. This will have as a result to weaken the potential positive effect of resource investments on export competitive advantage (Morgan et al., 2004). The following hypothesis can therefore be made:

H10 The positive effect of SMEs' investment in (a) human assets, (b) innovation assets, (c) marketing assets, and (d) financial assets on both its cost reduction-based and product differentiation-based export competitive advantage is weaker when operating in areas with high, rather than low, domestic competition.

5. Research methodology

5.1. Research scope

Our research hypotheses were tested with a sample of SME exporters based in Vietnam, an ETE which has been relatively under-studied (Ngo et al., 2016). Since 1986, Vietnam has gone through a gradual formal transition from a centrally planned to a market-based economy. It is also an emerging economy, although smaller in size and less advanced in its phase of development than other countries (e.g., China, Brazil, Russia). Exports play a crucial role in the Vietnamese economy, as indicated by the fact that their value accounted for 106.1 % of its GDP in 2020, making it among the world's top ten highly internationalized economies (World Bank Open Data, 2020). The driving forces behind this growth in exports are SMEs, since they represent the overwhelming majority (i.e., 97.4 %) of the country's private sector (General Statistics Office of Vietnam, 2021).

5.2. Sampling procedures

Two directories were used to identify Vietnamese exporters eligible to participate in our study. The first is the Directory of Reliable Vietnamese Exporters issued by the Ministry of Industry and Trade of Vietnam and the second is a list of exporters provided by Vietnam Customs Authorities. In total, 850 exporters were randomly selected from these directories, which had to fulfil the criteria set by the Vietnamese government to be considered as SMEs. Key informants were mainly general/deputy directors, export managers/officers, and commercial, marketing, or sales managers.

5.3. Construct operationalization

The measurement scales of our constructs were identified from reputable literature sources, while some were constructed based on input derived from various studies (see Appendix A). These were refined by academic experts in the field, as well as verified in a panel discussion with a group of Vietnamese exporters. The four constructs referring to export resource investments (i.e., human, innovation, marketing, and financial) were measured in terms of investments made in the last three years using a seven-point scale (where 1 = 'no investment made at all' to 7 = 'significant investment made', with 4 being the mid-point, meaning 'moderate investment made'). The scales of export cost reduction-based competitive advantage and export product differentiation-based competitive advantage were measured having as reference the firm's key competitors, using a seven-point scale, ranging from 1 = 'much lower' to 7 = 'much higher'. Export performance was measured with four items, which were compared to other firms in the industry during the last three years, using a seven-point scale (where 1 = 'much lower' to 7 = 'much higher'). Finally, the four domestic market conditions (i.e.,

institutional quality, infrastructural facilities, bureaucracy, and competition) were operationalized using multiple items extracted from various studies, also measured on seven-point scales.

5.4. Questionnaire design and testing

We designed a structured questionnaire, comprising four major sets of questions referring to: (a) the firm's investments in export-related resources (i.e., human, innovation, marketing, and financial); (b) export competitive advantages (i.e., cost reduction and product differentiation); (c) export performance; and (d) domestic market conditions (i.e., institutions, infrastructure, bureaucracy, and competition). The questionnaire was written in English and then translated into Vietnamese, while a back-translation procedure revealed no problems. The workability and comprehensiveness of the questionnaire was ensured through a pilot-testing among five export managers.

5.5. Data collection

We used a mixture of methods for data collection, namely postal, electronic, and personal interviews. In total, we obtained 173 questionnaires (representing a 20.4 % response rate), of which 159 were useable.⁵ Both our sample size and the response rate obtained are comparable to that of the majority of other prior export studies (Azari et al., 2017; Leonidou & Katsikea, 2010, p. 4). To test for the possibility of non-response bias, we employed Mentzer and Flint (1997) method. In doing so, we first selected seven items belonging to each of the key constructs included in our conceptual model. Then, we randomly contacted by telephone 20 firms that had not replied and asked them to give their answers on each of these items. These were subsequently compared to those provided by respondents in the main survey using a *t*-test analysis, revealing no statistically significant differences and indicating the absence of non-response bias.

5.6. Sample characteristics

Appendix B presents the characteristics of the sample of exporting firms which participated in our study. On average, these firms had been in business for 15.8 years and employed 107.2 people. More than half (57.8 %) of the respondents were exporters of light manufactured goods, while the remainder (42.2 %) exported agricultural-processed products (which reflects the high dependence of the Vietnamese economy on the agricultural sector). On average, participant firms had 12.1 years of export experience and sold their goods to 11.0 foreign markets.

6. Data analysis and results

Our data were analyzed with structural equation modeling using the EQS program and adopting the elliptical reweighted least squares (ERLS) technique. The selection of the SEM method for conducting the statistical analysis is justified by the fact that: (a) it provides a holistic assessment of the associations between constructs contained in the conceptual model; (b) it incorporates a confirmatory, rather than an exploratory, factor analysis of the data; and (c) it offers explicit estimates of the measurement error by calculating the fit of the conceptual model (Hair et al., 2019). We first present the results of the measurement model, then explain the results of the structural model, and finally discuss the results of the moderation analysis.

⁵ As opposed to a DE setting, collecting data from ETEs is a cumbersome task due to: (a) a suspicion by managers to disclose information to unknown people, mainly because of a fear that this will be used for tax or other negative purposes; (b) a lack of prior experience and/or familiarity to participate and respond to surveys; and (c) limited time available by business managers to provide information about their firm's activities.

6.1. Measurement model

We conducted a confirmatory factor analysis (CFA) to assess the validity of our measures, by restricting each item to load on its *a priori* specified factor, while at the same time allowing the underlying factors to correlate (Anderson & Gerbing, 1988). As shown in Table 1, all factors loaded highly on their assigned constructs, with the results suggesting acceptable goodness-of-fit statistics ($\chi^2 = 922.67$, $p = .000$, $df = 443$; NFI = 0.92; NNFI = 0.95; CFI = 0.96; RMSEA = 0.08).

To assess the statistical power of our model, we adopted MacCallum, Browne, and Sugawara's (1996) procedures, revealing sufficient power, since, with 454 degrees of freedom and 159 observations, this was higher than the recommended cut-off value of 0.80 (Lawson, Tyler, and Cousins, 2008). Our sample size ($n = 159$) is also large enough compared to the estimated parameters, since Bagozzi and Yi (1988) suggest an absolute minimum of 50 respondents and a 5:1 observations per parameter estimates ratio, while Anderson and Gerbing (1988) recommend a minimum level of 100 to 150 respondents and a ratio of 3:1. Also, using Westland's (2010) software, the minimum sample size for indicator/latent ratio in our model is 88, which is far below our sample size.

Convergent validity in our model was met because the *t*-value for each item was always significant, standard errors of the estimated coefficients were low, and the average variance extracted for each construct was above the threshold level of 0.50 (Hair et al., 2019). To check for discriminant validity, we employed the Heterotrait-Monotrait (HTMT) ratio of correlation, which measures the similarity between latent variables and distinguishes between those pairs of latent variables that are discriminately valid and those that are not (Henseler et al., 2015). For the constructs included in our model, all values were found to be lower than the recommended threshold of 0.85, indicating that

indeed there is adequate discriminant validity (Kline, 2016). Construct reliability was satisfactory because all constructs exhibited Cronbach's alphas greater than 0.70, while the same was also true for composite reliability since all coefficients were above 0.70.

To eliminate the potential existence of multicollinearity problems, we examined the variance inflation factor (VIF) and tolerance using collinearity diagnostics through regression analysis in SPSS. VIF values ranged between 1.23 and 2.18, which are below the conservative threshold level of 3.0 recommended by (Hair et al., 2019). With regard to tolerance, this ranged from 0.46 to 0.81, which is also above the strict threshold of 0.20 (or the acceptable threshold of 0.10) (Hair et al., 2019). Common method bias was not a problem in our study, because a confirmatory factor approach, in which all items included in the measurement model were restricted to load on a single factor, revealed poor model fit indices ($\chi^2 = 3670.55$, $p = .000$; $df = 464$, NFI = 0.68; NNFI = 0.69; CFI = 0.71; RMSEA = 0.21), well below the commonly acceptable cut-off points (Steiger, 1989; Venkatraman & Prescott, 1990).

To assess the potential for endogeneity bias in our study, we employed the two-stage least squares technique based on the procedures recommended by Tang and Wezel (2015), Zaeferian et al. (2017), and Hill et al. (2020). In doing so, we used export marketing investments, export innovation investments, export human investments, and export financial investments as instrumental variables for both its cost reduction-based and product differentiation-based export competitive advantage. These instrumental variables were correlated with their respective endogenous explanatory variables but not with export performance. We regressed the endogenous independent variables on their selected instrumental variables, saved the regression residuals, and then regressed the export performance on the residuals by replacing the respective competitive advantage with their residuals (Zaeferian et al.

Table 1
Measurement Model and Summary statistics.

Constructs	Scale items	Standardized Loadings	<i>t</i> -value	α	ρ	AVE	Mean score	Standard deviation	Item mean	Standard Deviation
Export Human Investments	EHI2	0.68	*	0.89	0.83	0.67	3.84	1.44	3.84	1.76
	EHI3	0.71	7.49						3.58	1.58
	EHI4	0.95	9.52						3.97	1.64
	EHI5	0.91	9.28						3.96	1.63
Export Innovation Investments	EII1	0.80	*	0.92	0.87	0.71	4.27	1.54	4.24	1.75
	EII2	0.90	12.15						4.38	1.76
	EII3	0.92	12.50						4.34	1.69
	EII4	0.81	10.54						3.98	1.80
	EII5	0.78	10.02						4.40	1.78
Export Marketing Investments	EMI1	0.74	*	0.92	0.86	0.74	4.36	1.56	4.09	1.74
	EMI3	0.91	10.90						4.40	1.75
	EMI4	0.95	11.32						4.63	1.65
	EMI5	0.82	9.72						4.30	1.81
Export Financial Investments	EFI2	0.73	*	0.86	0.79	0.68	2.36	1.42	2.33	1.53
	EFI5	0.86	9.29						2.26	1.65
	EFI6	0.88	9.37						2.50	1.64
Export Cost Reduction-based Competitive Advantage	CCA1	0.89	*	0.94	0.89	0.73	4.31	1.23	4.34	1.47
	CCA2	0.89	15.28						4.29	1.35
	CCA3	0.89	15.30						4.27	1.44
	CCA4	0.88	14.95						4.20	1.42
	CCA5	0.81	12.50						4.28	1.29
	CCA6	0.76	11.26						4.52	1.39
Export Product Differentiation Competitive Advantage	PCA1	0.85	*	0.93	0.89	0.76	5.06	1.17	5.13	1.31
	PCA2	0.86	12.83						4.92	1.31
	PCA3	0.87	12.87						5.08	1.28
	PCA4	0.84	13.08						5.05	1.38
	PCA5	0.93	12.19						5.11	1.33
Export Performance	EXP1	0.93	*	0.94	0.89	0.77	4.43	1.35	4.39	1.55
	EXP2	0.88	12.85						4.43	1.51
	EXP3	0.90	13.05						4.31	1.52
	EXP4	0.89	13.36						4.42	1.47
	EXP5	0.79	11.29						4.61	1.41

* Item fixed to set the scale.

Fit statistics: $\chi^2 = 922.67$, $p = .000$, $df = 443$; NFI = 0.92; NNFI = 0.95; CFI = 0.96; RMSEA = 0.08.

2017). We assessed the strength of instrumental variables with F-tests (Stock and Watson 2011) and computed an efficient model and a consistent model. The results of the Durbin–Wu–Hausman test revealed that all four export resource investment constructs are exogenous to export performance (Antonakis et al. 2014).

6.2. Structural model

A structural model was run to test the main hypothesized effects, with the results indicating acceptable fit indices (NFI = 0.92, NNFI = 0.94, CFI = 0.95, RMSEA = 0.09). Table 2 presents the standardized path coefficients and corresponding *t*-values for the hypothesized associations, with nine out of the ten found statistically significant and with the expected sign.

With regard to H₁, export human investment had a significant positive impact on export cost reduction competitive advantage ($\beta = 0.28$, $t = 3.05$, $p = .00$). This finding underlines the crucial role of investing in human resources to effectively handle the specialized, complex, and idiosyncratic work involved in export operations (Gomez-Mejia, 1988; Mariev et al., 2023). It also stresses the need to constantly train export-related personnel in such issues as export documentation/procedures, export logistics, communication with foreign customers, and learning foreign languages/cultures. Contrary to our expectations, the effect of export human investment on export product differentiation advantage was not found to be significant ($\beta = 0.08$, $t = 1.22$, $p = .22$).

Export innovation investment (H₂) had a significant positive effect

Table 2
Structural Model Results.

Hypothesis	Hypothesized path	Standardized path coefficients	<i>t</i> -value	<i>p</i> -value
	Main effects:			
H _{1a}	Export Human Investments → Export Cost Reduction Competitive Advantage	0.28	3.05	0.00
H _{1b}	Export Human Investments → Export Product Differentiation Competitive Advantage	0.08	1.22	0.22
H _{2a}	Export Innovation Investments → Export Cost Reduction Competitive Advantage	0.18	2.04	0.04
H _{2b}	Export Innovation Investments → Export Product Differentiation Competitive Advantage	0.28	3.62	0.00
H _{3a}	Export Marketing Investments → Export Cost Reduction Competitive Advantage	0.38	4.24	0.00
H _{3b}	Export Marketing Investments → Export Product Differentiation Competitive Advantage	0.55	5.99	0.00
H _{4a}	Export Financial Investments → Export Cost Reduction Competitive Advantage	0.16	1.79	0.07
H _{4b}	Export Financial Investments → Export Product Differentiation Competitive Advantage	0.20	2.49	0.01
H ₅	Export Cost Reduction Competitive Advantage → Export Performance	0.15	1.97	0.05
H ₆	Export Product Differentiation Competitive Advantage → Export Performance	0.55	6.42	0.00
	Control effects:			
	Firm size → Export performance	0.14	0.92	0.36
	Product group → Export performance	0.25	2.57	0.01
	Export experience → Export performance	0.18	1.88	0.06
	Number of export markets → Export performance	0.10	0.91	0.36

Fit statistics: $\chi^2 = 1005.48$, $p = .000$, $df = 454$; NFI = 0.92; NNFI = 0.94; CFI = 0.95; RMSEA = 0.09.

on both export cost reduction competitive advantage ($\beta = 0.18$, $t = 2.04$, $p = .04$) and export product differentiation advantage ($\beta = 0.28$, $t = 3.62$, $p = .00$). Indeed, innovation has often been reported as a facilitating factor in exporting, mainly because it contributes to product uniqueness, technical superiority, and advanced production systems that are vital to strengthen the firm's competitiveness in international markets (Guan & Ma, 2003). Innovativeness may also help managers to introduce new ideas and methods in their export operations (Mariev et al., 2023; Pas-telakos et al., 2023). It may also facilitate the development of a special proprietary technical knowledge and generate patented products. All these are essential to guarantee a steady flow of income within the firm for a sufficient period of time (Leonidou et al., 2008).

Statistically significant results were also observed for H₃, connecting export marketing investment with both export cost reduction advantage ($\beta = 0.38$, $t = 4.24$, $p = .00$) and export product differentiation advantage ($\beta = 0.55$, $t = 5.99$, $p = .00$). Such marketing investments can be expressed in the form of a strong brand franchise, an efficient after-sales service, a competitive selling price, a sound distribution system, and a competent sales force, which will help to effectively compete in export markets (Leonidou, 1998; Zahoor & Lew, 2023). They also involve an ability to appropriately adjust the firm's marketing mix to the different economic, political/legal, and sociocultural conditions prevailing in foreign countries (Katsikeas et al., 2006; Zahoor & Lew, 2023).

H₄ was confirmed, since export financial investment had a significant positive effect on both export cost reduction advantage ($\beta = 0.16$, $t = 1.79$, $p = .07$) and export product differentiation advantage ($\beta = 0.20$, $t = 2.49$, $p = .01$). Lack of financial resources has often been cited in the literature as a serious obstacle, hindering the firm's progression and success along the export development path, especially in the case of firms with a smaller size (Leonidou, 2004; Ling-yee & Ogunmokin, 2001). This is because the nature of export operations is such that it requires substantial expenditures in product adjustments, price subsidies, specialized logistics, and promotional methods (Chandra et al., 2020; Leonidou, 1998). Frequent delays in collecting money from foreign customers makes even more imperative the firm's investments in financial resources and the maintenance of good relationships with financial institutions to guarantee a steady cash flow in the exporting firm (Leonidou, 2004).

A positive link between cost reduction competitive advantage and export performance (H₅) was also verified ($\beta = 0.15$, $t = 1.97$, $p = .05$). Indeed, such an advantage will deliver more value to the foreign customer and enhance satisfaction levels by decreasing perceived costs (Zou et al., 2003). It also helps to attract new customers, provided the firm's market offering is comparable to that of its direct competitors. Statistically significant results were also obtained for H₆, which connects export product differentiation advantage and export performance ($\beta = 0.55$, $t = 6.42$, $p = .00$). This denotes that the exporting firm's superiority in design, quality, and other product attributes can help enhance satisfaction levels among foreign customers (Zou et al., 2003). This will eventually lead to securing a higher market share and/or charging a premium price that will subsequently help to improve the firm's sales and profits.

In sum, our results regarding hypotheses H₁ to H₄ corroborate the findings of previous studies in exporting (Julien & Ramangalahy, 2003; Leonidou et al., 2011; Morgan et al., 2004; Sousa et al., 2008; Zou & Stan, 1998), which also indicated that possessing relevant resources (e.g., knowledge/experience, working capital, equipment, personnel) helps to achieve export competitive advantage based on either cost reduction or product differentiation. The same is also true with our findings regarding H₅ and H₆, where various studies conducted both in developed and developing countries (e.g., Keskin et al., 2021; Leonidou et al., 2011; Ling-yee & Ogunmokin, 2001; Morgan et al., 2004; Tan & Sousa, 2015) also demonstrated the positive impact of possessing and exploiting a competitive advantage on achieving a superior export performance.

6.3. Control analysis

With regard to control effects, both firm size (measured in terms of number of full-time employees) ($\beta = 0.14$, $t = 0.92$, $p = .36$) and the number of foreign markets in which the SME exporter operates ($\beta = 0.10$, $t = 0.91$, $p = .36$) were not found to have a statistically significant effect on export performance. However, the type of product exported significantly affected export performance ($\beta = 0.25$, $t = 2.57$, $p = .01$) and the same was also true with regard to the firm's experience in exporting ($\beta = 0.18$, $t = 1.88$, $p = .06$).

6.4. Moderation analysis

Moderating effects were tested through split-group analysis, where the total sample was divided into two groups based on the median (see Table 3). For each moderator, we ran two different models, where in the first model all parameter estimates were free to vary between the two sub-samples, while in the second model an equality constraint was set on the hypothesized moderated association between the two groups.

With regard to *domestic institutional quality* (H_7), with the exception of the relationship between export financial investments and export cost reduction advantage ($\Delta\chi^2_{(1)} = 0.42$, $p > .10$), all other relationships between SME investments in specific export resources and the two types of export competitive advantage were found to be moderated by this factor. In other words, the low quality of domestic institutions, weakens the effect of investments in export-related resources on competitive advantage. This confirms the findings of prior research, which revealed that the existence of an insecure climate created in a situation of lawlessness, as in the case of ETEs, makes firms reluctant to invest in resources in order to reduce risks (Johnson et al., 2002). Indeed, this is more profound in Vietnam, where, despite efforts to join several international agreements, its institutional quality is still relatively low (Ngo et al., 2016; Tran, 2019).

Domestic infrastructural facilities (H_8) also exhibited a moderating impact on the relationship between export-related investments and export competitive advantage, for almost all types of investment examined. The only exceptions were the associations between export marketing investments and export cost reduction advantage ($\Delta\chi^2_{(1)} = 0.53$, $p > .10$), as well as between export marketing investment and export product differentiation advantage ($\Delta\chi^2_{(1)} = 0.89$, $p > .10$). These findings underline the repeatedly cited importance of having a sound domestic infrastructure in boosting a country's export activity (Zhao & Zou, 2002). They also confirm that the high production, transaction, and other costs caused by domestic infrastructural inefficiencies can make the firm more hesitant to invest in specific resources because of pessimistic financial prospects (Tybout, 2000). This is again evident in Vietnam, where low efficiency of public investment and high geographical diversification are responsible for a poor infrastructure (Giang & Low, 2015).

Domestic bureaucracy (H_9) was also revealed to have strong moderating effect on the association between investment in specific export-related resources and export competitive advantage. It showed the same pattern as in the case of domestic infrastructure quality. Specifically, with the exception of the link between export marketing investments and export financial investments with export cost reduction advantage ($\Delta\chi^2_{(1)} = 0.41$, $p > .10$), as well as between export marketing investments and export product differentiation advantage ($\Delta\chi^2_{(1)} = 1.17$, $p > .10$), all other investment links with competitive advantage were found significant and in the right direction. These findings are consistent with earlier observations in the exporting literature that bureaucratic procedures create excessive costs, time delays, and other inefficiencies that obstruct the firm's export operations (Kahiya & Dean, 2016; Leonidou, 2000; Onjewu et al., 2023). Such inefficiencies also deter firms from investing in export-related resources, because they increase transaction costs and create a feeling of uncertainty about future returns on these investments (Beazer, 2012). As mentioned earlier, the issue of bureaucracy is

particularly evident in Vietnam, as a result of lack of incentives among government officials, a distorted mechanism among political components, and an incapable leadership (Ohno, 2009; Pham, 2018).

Domestic competition (H_{10}), the final moderator, significantly influenced five out of the eight paths between the various investments in specific export resources and export competitive advantage. Specifically, with the exception of the associations between export human investments and export cost reduction competitive advantage ($\Delta\chi^2_{(1)} = 1.54$, $p > .10$), export marketing investments and export cost reduction advantage ($\Delta\chi^2_{(1)} = 1.10$, $p > .10$), and export innovation investments and export product differentiation advantage ($\Delta\chi^2_{(1)} = 1.95$, $p > .10$), all other relationships between investments and export competitive advantage were found significant and in the right direction. These findings confirm that the existence of fierce domestic competition will divert investments from export markets in favor of investments in the home market, because of the need to maintain a foothold in the latter.

7. Conclusions

Our study has amply demonstrated that the key theories comprising the 'strategy tripod', namely the RBV, IO, and IBV, can also be employed to explain strategic issues within the domain of SME exporters from ETEs. Our results indicate that, in the context of an ETE, the firm's investment in export-related resources significantly and positively affects both its cost reduction-based and product differentiation-based export competitive advantage. These two types of advantage subsequently enhance the firm's export performance. However, the study has also shown that the beneficial role of export-related investments on competitive advantage becomes weaker when the domestic market conditions are characterized by poor institutional quality, inadequate infrastructural facilities, inefficient bureaucratic procedures, and fierce competition, which characterizes most ETEs, such as Vietnam.

Compared to the work of Leonidou et al. (2011) and Malca et al. (2020), the current study revealed that, in the context of ETEs, the most important role of their governments is to create a fertile domestic environment that motivates indigenous firms, especially SMEs, to invest in resources necessary to effectively pursue export activities in international markets. Although government assistance in the form of export promotion programs is important for small indigenous exporters, the most important source of a firm's strategic resources to achieve a competitive advantage should come from its own investments. This was also verified by Christensen et al. (1987), who revealed that relying solely on government export incentives can negatively influence the firm's export performance. Recently, Onjewu et al. (2023) also found that government supports which can increase both bureaucracy and resilience of SMEs can indirectly and negatively influence indirect export performance.

Our study also confirms the findings of previous studies, such as those of Gao et al. (2010), Nguyen et al. (2012), and He et al. (2013), focusing on the association among resources, domestic conditions, competitive advantage, and export performance. However, compared to these studies, a major difference of our study is that it focuses on the origin (i.e., resource investments), rather than on the current state of the firm's strategic ability and competitive advantage. In addition, our study advances the works of Makhmadshoev et al. (2015), Manolopoulos et al. (2018), and İpek and Tanyeri (2021) by emphasizing the moderating (rather than the direct) effect of domestic market conditions on the firm's export competitive advantage through the mechanism of export resource investments.

8. Implications

8.1. Managerial implications

Our study stresses that SMEs should invest through acquisition and/

Table 3
Results of Individual Moderating Effects.

Main effect	H ₇ : Effect is weaker when there is low than high domestic institutional quality (n ₁ = 82 vs. n ₂ = 77)	H ₈ : Effect is weaker when there is low than high domestic infrastructure (n ₁ = 80 vs. n ₂ = 79)	H ₉ : Effect is weaker when there is high than low domestic bureaucracy (n ₁ = 83 vs. n ₂ = 76)	H ₁₀ : Effect is weaker when there is high than low domestic competition (n ₁ = 77 vs. n ₂ = 82)
Moderations on the link between Export resource-specific investments and Export cost reduction competitive advantage				
a. EHI → ECA	$\Delta\chi^2_{(1)} = 2.98$ (p < .10)	$\Delta\chi^2_{(1)} = 4.24$ (p < .05)	$\Delta\chi^2_{(1)} = 4.68$ (p < .05)	$\Delta\chi^2_{(1)} = 1.54$ (p > .10)
b. EII → ECA	$\Delta\chi^2_{(1)} = 3.04$ (p < .10)	$\Delta\chi^2_{(1)} = 3.26$ (p < .10)	$\Delta\chi^2_{(1)} = 3.20$ (p < .10)	$\Delta\chi^2_{(1)} = 3.04$ (p < .10)
c. EMI → ECA	$\Delta\chi^2_{(1)} = 2.81$ (p < .10)	$\Delta\chi^2_{(1)} = 0.53$ (p > .10)	$\Delta\chi^2_{(1)} = 0.41$ (p > .10)	$\Delta\chi^2_{(1)} = 1.10$ (p > .10)
d. EFI → ECA	$\Delta\chi^2_{(1)} = 0.42$ (p > .10)	$\Delta\chi^2_{(1)} = 2.27$ (p < .10)	$\Delta\chi^2_{(1)} = 2.85$ (p < .10)	$\Delta\chi^2_{(1)} = 3.12$ (p < .10)
Moderations on the link between Export resource-specific investments and Export product differentiation competitive advantage				
a. EHI → EPA	$\Delta\chi^2_{(1)} = 2.95$ (p < .10)	$\Delta\chi^2_{(1)} = 3.56$ (p < .10)	$\Delta\chi^2_{(1)} = 3.57$ (p < .10)	$\Delta\chi^2_{(1)} = 3.96$ (p < .05)
b. EII → EPA	$\Delta\chi^2_{(1)} = 2.68$ (p < .10)	$\Delta\chi^2_{(1)} = 3.05$ (p < .10)	$\Delta\chi^2_{(1)} = 2.94$ (p < .10)	$\Delta\chi^2_{(1)} = 1.95$ (p > .10)
c. EMI → EPA	$\Delta\chi^2_{(1)} = 2.88$ (p < .10)	$\Delta\chi^2_{(1)} = 0.89$ (p > .10)	$\Delta\chi^2_{(1)} = 1.17$ (p > .10)	$\Delta\chi^2_{(1)} = 6.56$ (p < .05)
d. EFI → EPA	$\Delta\chi^2_{(1)} = 6.76$ (p < .01)	$\Delta\chi^2_{(1)} = 2.90$ (p < .10)	$\Delta\chi^2_{(1)} = 3.77$ (p < .10)	$\Delta\chi^2_{(1)} = 7.10$ (p < .01)

Note: Differences between groups are based on $\Delta\chi^2$ ($\Delta d.f = 1$).

or accumulation methods, in order to obtain the resources needed to gain a cost reduction-based and/or product differentiation-based competitive advantage in foreign markets. Specifically, it has shown that investments in human assets produce more export cost reduction advantage, while investments in innovation, marketing, and financial assets are conducive to more export product differentiation advantage. Although SMEs face difficulties in making such investments, these are vital if they want to succeed abroad. To this end, they may seek the assistance of special export promotion schemes from government, professional associations, or other organizations which can have, for example, the form of financial support, information about foreign markets, and specialized education/training on exporting issues.

Exporters from ETEs should also realize that the adversities encountered in domestic market conditions (in terms of poor institutional quality, infrastructural problems, bureaucratic procedures, and fierce domestic competition) can hinder their efforts to generate competitive advantage through proper investments in export-related resources. Hence, overcoming psychological barriers resulting from domestic environmental factors could be the first step toward an effective resource investment decision-making that would help to gain an export competitive advantage. Among these domestic factors, particular attention should be paid to competition from either indigenous players or international firms operating in the home market, which can take the form of price cuts, advertising battles, support services, and so on (Leonidou, 2004). In fact, compared to the other domestic market conditions examined, domestic competition is perhaps more controllable in the sense that firms can closely monitor their competitors' movements and respond accordingly.

The obstacles imposed by weak domestic market conditions identified in our study, coupled with the fact that SMEs have limited organizational resources and capabilities, necessitate the undertaking of a collaborative action among these firms in selling their goods abroad (Mesquita & Lazzarini, 2010). For example, adopting a collective sourcing approach can help to offer better export prices, exploiting complementary competencies can solve various production problems, coordinating their knowledge-based resources can improve product innovations, and sharing resources can facilitate the development of common foreign distribution channels. Such a joint effort would eventually lead to an improvement of their competitive edge and strengthen their ability to satisfy the needs of diverse customer groups across different countries.

8.2. Public policy implications

In light of the fact that conditions prevailing in the home market were found to obstruct the competitiveness of Vietnamese SME exporters, government officials in ETEs need to take a number of corrective actions, such as improving institutional quality in their countries and enhancing the regulatory system to be able to prevent corruption and expropriation. It is also critical to improve further the infrastructural facilities offered to exporters, such as the road network, the energy system, and commercial ports/airports. Such improvements are essential to reduce production and logistics costs, which are to a great extent responsible for escalating export prices and blunting the small firm's competitive edge (Leonidou, 2004; Zhao & Zou, 2002). One way to facilitate the process toward improving infrastructure that will not burden the government financially is by encouraging the use of the PPP (public-private-partnership) mechanism.

Attention should also be directed at reducing bureaucracy, since this is an important impediment for exporters from ETEs, creating serious

time and cost inefficiencies. Some possible ways to alleviate this problem are: (a) to reduce and simplify all export-related documentation; (b) to accelerate the process of reviewing and approving any documents required in the firm's export operations; (c) to give priority to firms for any issues they may face in exporting by government agencies and other parastatal organizations; and (d) to subsidize any fees associated with the use of special consulting services that would help firms to handle effectively and efficiently their export operations. To improve institutional quality, it is also important to closely monitor improvements in various governmental and non-governmental initiatives, as in the case of Vietnam which makes effective use of both the Provincial Competitive Index (PCI) and the Provincial Governance and Public Administration Performance Index (PAPI).⁶

9. Limitations and future directions

The findings of this study should be seen within the context of various limitations that can provide an impetus for further research. *First*, our focus was on the indigenous exporting firms of a single ETE, namely Vietnam. Thus, a replication study across different ETEs in terms of political systems, cultural traits, and levels of economic development is critical to externally validate our conceptual model. It is also important to replicate this study in ETEs found at different transitional stages, because both costs and benefits associated with export strategies change markedly due to differences in domestic institutional, competitive, and other conditions (Peng, 2003).

Second, the current study only investigated company investments in specific export-related resources, namely human, innovation, marketing, and financial. However, for these resources to enhance the firm's competitive edge, there is a need to be properly configured and co-ordinated using specific organizational capabilities (Teece, 1986; Teece et al., 1997). There is a need therefore to examine the extent and type of company investments made in developing such organizational capabilities to be used for exporting purposes. Of particular interest should be the role of dynamic capabilities (e.g., market sensing, absorptive capacity, strategic flexibility), which are useful in addressing rapidly changing conditions in the international business environment.

Third, our analysis has been confined to the domestic conditions of the home market, without taking into consideration the specific foreign market conditions prevailing in a specific export market venture. For example, the moderating role of issues relating to market volatility, environmental uncertainty, and competitive intensity prevailing in a foreign country could be the focus of such analysis, because exporting firms' decisions are more likely to involve issues pertaining to both home and host markets, rather than treating them separately (Albaum et al., 2016).

Finally, export performance in this study was measured using solely financial indicators, such as export sales volume, export sales intensity, and export profitability. To have a more comprehensive understanding performance implications, there is a need to extend our analysis to cover additional performance dimensions, such as market-related (e.g., customer satisfaction) and strategic-related (e.g., growth) (Efrat et al., 2018; Keskin et al., 2021). Being able to collect objective in addition to subjective export performance data, coupled with the acquisition of performance data from secondary sources, would also make the analysis more complete.

Declaration of Competing Interest

The authors declare that they have no known competing financial

⁶ These initiatives were originally supported by international donors and partners and have been creating profound impacts and changes in the institutional and business landscape of Vietnam. These indices have gradually become standards that have been used for public policy decision-making and formulation at both central and local government levels (more information about these standards can be found in the following websites: <https://pcivietnam.vn/en> and <https://papi.org.vn/eng>).

interests or personal relationships that could have appeared to influence the work reported in this paper.

Appendix A. . Construct operationalization and literature sources

Constructs	Code	Item description	Literature source
Export Human Investments		Changes in the last three years for the following issues (Scale: no investment made = 1 to significant investment made = 7):	Schuler and Jackson (1987) and Gomez-Mejia (1988)
	EH11	Number of experienced and trained export personnel	
	EH12	Number of employees receiving export training course	
	EH13	Amount of money spent on training of export personnel	
	EH14	Bonus for middle managers when export sales increase	
	EH15	Bonus for labor when export sales increase	
Export Innovation Investments		Changes in the last three years for the following issues (Scale: no investment made = 1 to significant investment made = 7):	Leonidou et al. (2011) and Morgan et al. (2004)
	EII1	Developing new products for export markets	
	EII2	Improving existing products for export markets	
	EII3	Adopting new ideas, processes, technology in producing products for export markets	
	EII4	Introducing new machinery, techniques of production relating to exporting	
	EII5	Extending product lines relating to exporting	
	EII6	Procuring new raw materials relating to exporting	
Export Marketing Investments		Changes in the last three years for the following issues (Scale: no investment made = 1 to significant investment made = 7):	Leonidou et al. (2011) and Morgan et al. (2004)
	EMI1	Advertising for export product	
	EMI2	Sales promotion for export product	
	EMI3	Building brand identification for export product	
	EMI4	Building company image in export market	
	EMI5	Market research, forecasting export market	
Export Financial Investments		Changes in the last three years for the following issues (Scale: no investment made = 1 to significant investment made = 7):	Ayyagari et al. (2010) and Johnson et al. (2002)
	EFI1	Capital for exporting from bank loans	
	EFI2	Capital for exporting from venture capital	
	EFI3	Capital for exporting from retained earnings	
	EFI4	Capital for exporting from shareholders	
	EFI5	Capital for exporting from stock market	
	EFI6	Capital for exporting from support programs	
Export Cost Reduction Competitive Advantage		Possession of an advantage over the key competitors in the following areas (Scale: much lower = 1 to much higher = 7):	Leonidou et al. (2011) and Morgan et al. (2004)
	CCA1	Cost of raw materials	
	CCA2	Labor cost	
	CCA3	Production cost per unit	
	CCA4	Cost of goods sold	
	CCA5	Transportation cost	
	CCA6	Selling price to end-user customer	
Export Product Differentiation Competitive Advantage		Possession of an advantage over the key competitors in the following areas (Scale: much lower = 1 to much higher = 7):	Leonidou et al. (2011) and Morgan et al. (2004)
	PCA1	Product quality	
	PCA2	Packaging	
	PCA3	Design and style	
	PCA4	Brand awareness	
	PCA5	Product line breadth/depth	
Export Performance		The firm's performance compared to other firms in the same industry over the last 3 years in the following areas (Scale: much lower = 1 to much higher = 7):	Leonidou et al. (2011) and Morgan et al. (2004)
	EXP1	Export sales volume	
	EXP2	Percentage of export sales in total sales	
	EXP3	Export market share	
	EXP4	Export profitability	
Domestic Institutional quality		Frequency of occurrence of the following phenomena in the home country (Scale: seldom = 1 to very frequent = 7):	Acemoglu and Johnson (2005), Besley (1995), Brunetti and Weder (1998)
	DIQ1	Counterfeit goods	
	DIQ2	Violation of intellectual property rights	
	DIQ3	Illegal breaking signed contract	
	DIQ4	Commercial fraud	
	DIQ5	Monopoly in production/commerce	
	DIQ6	Unofficial charges	
	DIQ7	Economic and commercial disputes between firms	
	DIQ8	Disputes between firms and their employees	
	DIQ9	Firm's land expropriation by government	
Domestic Infrastructure	DIQ10	Unfair compensation for firm's expropriated land	Werner et al. (1996)
		Evaluation of the quality of infrastructural facilities in the home country in the following areas (Scale: poor = 1 to excellent = 7):	
	DIF1	Transport infrastructure	
	DIF2	Electricity	
	DIF3	Water	
	DIF4	Transportation services	
	DIF5	Insurance services	

(continued on next page)

(continued)

Constructs	Code	Item description	Literature source
Domestic Bureaucracy	DIF6	Warehousing services	World Bank (2004)
	DIF7	Telecommunication	
	DIF8	Internet	
	DIF9	Public service of market information	
	DIF10	Public service of labor education and training	
		Evaluation of the amount of paperwork/time required to process the following activities in the home country (Scale: very little = 1 to too much = 7):	
	DBR1	Getting bank loans	
	DBR2	Getting business land	
	DBR3	Performing custom's procedures	
	DBR4	Performing quality control of export products	
Domestic Competition	DBR5	Performing payment of business tax	O'Cass and Weerawardena (2010)
	DBR6	Performing labor policies, regulations	
	DBR7	Performing environmental policies, regulations	
		Degree of competition by direct competitors in the home country faced in each of the following areas: (Scale: low = 1 to high = 7)	
	DCO1	Raw materials	
	DCO2	Labor	
	DCO3	Production of scale	
	DCO4	Product quality	
	DCO5	Product price	
	DCO6	Promotion	
	DCO7	Design and style	
	DCO8	Delivery speed and reliability	

Appendix B. . Research sample characteristics

Sample characteristics	Total sample (n = 159)%	Sample based on mail/ internet data collection (n ₁ = 79)%	Sample based on face-to-face data collection (n ₂ = 80)%
Number of employees			
Up to 49	49.0	53.0	44.0
50–99	15.0	15.0	15.0
100–149	8.0	6.0	10.0
150 or more	28.0	26.0	31.0
Business experience			
Up to 5 years	10.0	6.4	10.8
6–9 years	22.5	27.1	21.1
10–14 years	31.4	32.6	31.2
15 years or more	19.6	15.5	21.5
20 years or more	16.5	19.4	15.4
Export experience			
Up to 5 years	10.4	7.1	11.5
6–9 years	24.5	28.6	23.1
10–14 years	31.1	32.2	30.8
15–19 years	18.9	14.2	20.5
20 years or more	15.1	17.9	14.1
Product group			
Manufacturing-related	57.8	55.7	60.0
Agrobusiness-related	42.2	44.3	40.0
Number of foreign markets			
One	16.5	19.3	14.7
Two	10.7	10.7	10.6
Three	10.7	6.2	14.7
Four or more	62.1	63.8	60.0

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