



**Composite collaboration and the differentiation strategies  
adopted by emerging market firms in advanced markets  
during the COVID-19 pandemic**

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7 acceptance stage.  
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10 Considering Editors' comments, the corrections have been made regarding  
11 home market and host market mistakes. Thank you for pointing out error in  
12 reporting of trade deficit figure, this has also been corrected. Additionally,  
13 common method bias test is also included in this revised version, and we have  
14 corrected the format of citations as well.  
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## Composite collaboration and the differentiation strategies adopted by emerging market firms in advanced markets during the COVID-19 pandemic

### ABSTRACT

**Purpose.** This article illustrates how during the COVID-19 pandemic, emerging market exporting firms can adopt differentiation strategies using composition-based capabilities, which, in turn, will enable them to strengthen their images and market shares, i.e., their strategic marketing performance in advanced markets.

**Methods.** This study is based on survey data obtained from 86 export managers of Pakistani firms exporting to advanced economies.

**Results.** The study found that compositional collaboration capabilities positively influence the differentiation strategies and strategic marketing performance of emerging market exporting firms conducting business in advanced host markets. Furthermore, the findings indicate that differentiation strategies mediate the influence of compositional collaboration capabilities on the strategic marketing performance of these firms.

**Originality.** By taking a new compositional based theoretical perspective, this study examined the underexplored phenomenon of how emerging market firms can differentiate their offerings in advanced export markets in order to achieve a better strategic performance during external shocks such as the COVID-19 pandemic. Given that export growth is a strategic priority for many emerging markets, including Pakistan, due to their substantial trade deficits, this study provides important contributions from both the theoretical and practical perspectives.

**Keywords:** *composite collaboration; market players; non-market players; differentiation strategy; strategic marketing performance, pandemic.*

# Composite collaboration and the differentiation strategies adopted by emerging market firms in advanced markets during the COVID-19 pandemic

## 1. INTRODUCTION

Emerging market firms have been accelerating their internationalisation activities more than ever before. In recent years, the COVID-19 pandemic has stifled the FDI outflows of several economies (UNCTAD, 2020b). Specifically, Pakistan—the context of this study—suffered approximately 6% decline in its export growth rate in 2020 (UNCTAD, 2020a). Given the country's prevalent huge trade deficit (Trading-Economics, 2021), the pandemic's impact is proving to be substantial in relation to its economic development as well as for that of the firms that operate there.

Meanwhile, the extant literature argues that emerging market firms often engage in internationalisation to overcome challenges such as global laggard disadvantages (Kumar *et al.*, 2020; Luo and Tung, 2007), enabling them to distance themselves from their weak home institutional environments (Boisot and Meyer, 2008; Nuhu *et al.*, 2021) and to exploit the resourceful institutions and assets located outside of their home markets (Luo and Rui, 2009; Purkayastha *et al.*, 2021). A burgeoning literature asserts that emerging market firms are also equipped with several unique advantages, such as their adaptability and agility in host countries (Cuervo-Cazurra and Genc, 2008; Khan, 2020; Luo *et al.*, 2021), ability to maintain strong connections between their home and host markets (Luo and Tung, 2007) and to foster networks in advanced markets (Guillén and García-Canal, 2009). Despite these studies having identified some distinct features of internationalising emerging market firms, the international marketing literature on emerging market firms exporting to advanced economies remains inadequate in terms of how such firms can improve their performance in such institutionally different markets, which is all the more relevant in the wake of external shocks, such as those caused by the COVID-19 pandemic. Motivated by this key gap in the

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3 extant literature and by the aforementioned trade deficit of Pakistan's exporting firms, the  
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5 overarching objective of this study was to answer this critical research question: "*How can*  
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7 *emerging market firms exporting to advanced economies differentiate and enhance their*  
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9 *strategic marketing performance during a pandemic?*"

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12 Answering this question in the context of a volatile emerging market as Pakistan is  
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14 critical, given the fact that a huge trade deficit serves as a great motivation to strengthen  
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16 exports to advanced market counterparts. Pakistan's market volatility is due to unstable  
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18 political environment and fluctuating regulations, which may act as a push factors for  
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20 internationalisation (Uddin *et al.*, 2019). Furthermore, Pakistani firms often do not possess  
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22 the innovation capabilities that may be required under advanced host market conditions  
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24 (Khan *et al.*, 2020). Yet, these firms have to face host market challenges such as the  
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26 competition of players established in such advanced markets, including global competitors,  
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28 and dealing with new and institutional logics distinct from those found in their home market.  
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30 Hence, in such contexts, it may be important for these firms to be able to differentiate their  
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32 product and service offerings to be able to enhance their images and market shares (strategic  
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34 marketing performance)—a key strategic priority for Pakistan's export sector (WorldBank,  
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36 2021).

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39 Given the aforementioned volatile environmental conditions in which Pakistani firms  
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41 operate, it could be theorized that such firms may be compelled to engage with market and  
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43 non-market stakeholders in order to gain valuable resources, market knowledge, and  
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45 favourable policy outcomes. A growing number of advanced markets offer key assets such as  
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47 technology, branding, distribution channels, licensing, etc., consequently providing emerging  
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49 market firms with access to resources (Luo and Tung, 2007). This opens up avenues for  
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51 emerging market exporting firms to creatively use open market resources that are influential  
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53 for their strategic success in advanced markets. At the same time, the compositional based  
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3 view (CBV) (Luo and Child, 2015) postulates that ordinary firms can make creative use of  
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5 openly available resources and capabilities, combined to achieve a unique path for growth.  
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7 Firms can also transfer and exploit any home-based advantages in foreign markets for  
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9 superior performance. In this regard, composite collaboration, which is defined as the extent  
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11 to which “firms simultaneously collaborate with a multitude of different types of overseas  
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13 organizations” (Luo and Bu, 2018), may be influential in enabling emerging market firms to  
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15 develop a competitive advantage in advanced host markets. A underlying logic behind  
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17 compositional collaboration is to capture the most value from these international  
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19 relationships. The context of emerging market firms exporting to developed ones naturally  
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21 requires the development of compositional-based advantages in order to do well in  
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23 institutionally different environments, which is in line with recent research taking the  
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25 opposite perspective that suggests that developed market subsidiaries operating in emerging  
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27 economies require agility in order to compete effectively with local firms (Ferraris *et al.*,  
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29 2021). The application of this theoretical perspective to the international business context,  
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31 which is relatively new (Sun *et al.*, 2021), can also be theorized in the context of Pakistani  
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33 firms exporting to advanced host markets, as these firms often do not have a sophisticated  
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35 brand image and reputation in their well-established advanced host markets. Theoretically,  
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37 emerging market firms exporting to advanced ones may be required to engage with both  
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39 market and non-market players in order to be able to proactively access resources for  
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41 innovative solutions. Hence, compositional collaboration phenomenon may be more pertinent  
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43 for Pakistani firms, given that their advanced export markets are also culturally distinct from  
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45 home market. Hence, both a deeper understanding of the market and innovative solutions are  
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47 required to develop competitiveness in those markets by collaborating with key players.  
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56 Exporting is often a preliminary strategic step in the internationalisation process. Hence,  
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58 it would be important for exporting firms to creatively utilize their market and non-market  
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3 resources to establish compositional networks that may help them to obtain strategic gains in  
4 highly competitive advanced markets. In the context of this study, we defined composite  
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6 collaboration as a firm's ability to collaborate with both market and non-market players such  
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8 as distributors, business communities, government officials, legislative bodies, media, trade  
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10 associations, and competitors based in their advanced host markets. Marketing scholars have  
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12 emphasised networking with market players—such as customers—as a means to gain key  
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14 insights suited to enhance performance (Ghauri *et al.*, 2016). The recent international  
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16 business literature is showing increasing interest in understanding the role played by non-  
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18 market actors—such as policy makers, media, government bodies (Rodgers *et al.*, 2019;  
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20 Rodgers *et al.*, 2021)—as these are important for legitimacy building in host markets. Despite  
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22 this being an important topic in the international business literature, to our knowledge, the  
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24 extant studies have hitherto mainly linked it to policy level, institutional outcomes and  
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26 legitimacy (Funk and Hirschman, 2017; Liedong *et al.*, 2017; Rodgers *et al.*, 2019), as  
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28 opposed to firms' strategies in enhancing their performance, which could be a fruitful avenue  
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30 for contribution.  
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38 From the theoretical perspective, there has been a call for scholarly research aimed at  
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40 understanding the efficacy and key antecedents of differentiation strategies in the export  
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42 sector (Knight *et al.*, 2020). Moreover, based on our extant literature review, the efficacy of  
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44 the differentiation adopted by those emerging market firms that are mainly engaged in  
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46 exporting to advanced host markets has largely remained an underexplored context. This is an  
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48 important area for exploration from both the theoretical and practical perspectives as, given  
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50 the substantial uniqueness of the advanced markets' competitive landscapes, Pakistani firms  
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52 may be required to develop innovative solutions in order to cater for the needs of such  
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54 markets. This may be even more critical during the current pandemic, as market requirements  
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3 have been radically disrupted. For example, firms are now in a greater need to develop  
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5 innovative solutions in order to survive and grow (Lee and Trimi, 2021).  
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8 International marketing scholars have examined a few key antecedents of differentiation  
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10 strategies in export contexts, such as learning and growth orientations (Knight *et al.*, 2020),  
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12 whereas purely marketing studies have merely related customer involvement with such  
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14 strategies (Svendsen *et al.*, 2011); hence, there is a gap in our understanding of the  
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16 importance of compositional collaboration in the differentiation strategies adopted by  
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18 emerging market firms engaged in exporting to advanced economies, especially during the  
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20 ongoing pandemic. Hence, drawing on these critical gaps, this study involved the  
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22 investigation of the following theoretically intriguing research questions: “*To what extent*  
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24 *does composite collaboration influence the differentiation strategies and strategic*  
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26 *performance of emerging market firms exporting to advanced economies?*” and “*To what*  
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28 *extent do differentiation strategies mediate the influence of composite collaboration on*  
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30 *strategic performance?*”  
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35 The substantial trade tensions triggered by the COVID-19 pandemic (Lund *et al.*, 2019)  
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37 has caused international marketers to call for scholarly work aimed at proposing a strategic  
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39 marketing framework for business management (Salunkhe *et al.*, 2021). However, to the best  
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41 of our knowledge, no prior studies have empirically proposed an effective international  
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43 strategy framework for the export sector. Accordingly, our study is positioned to address the  
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45 salient theoretical gaps and present contributions accordingly. First, we extended the  
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47 composition-based view to the international marketing context by linking its importance in  
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49 differentiation strategies in the unique and understudied context of emerging market firms  
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51 exporting to advanced economies. Second, we theoretically delineated the compositional  
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53 perspective from both the market and non-market capabilities’ standpoints. A key logic  
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55 underlying this perspective is that firms synergistically harness and improvise global  
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3 partnerships, which consequently leads to the implementation of differentiation strategies  
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5 suited to serve as a mean for strategic competitiveness in advanced markets. Given that  
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7 exporting is among the strategic priority sectors in the context of Pakistan, local governments  
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9 should provide resources, development workshops, and trade events in order to enable firms  
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11 to develop the innovation competencies they need to meet advanced market needs. Exporters  
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13 should actively engage in international trade and partnership events to acquire the knowledge,  
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15 networks, and capacities they need in order to enhance their performance in foreign markets.  
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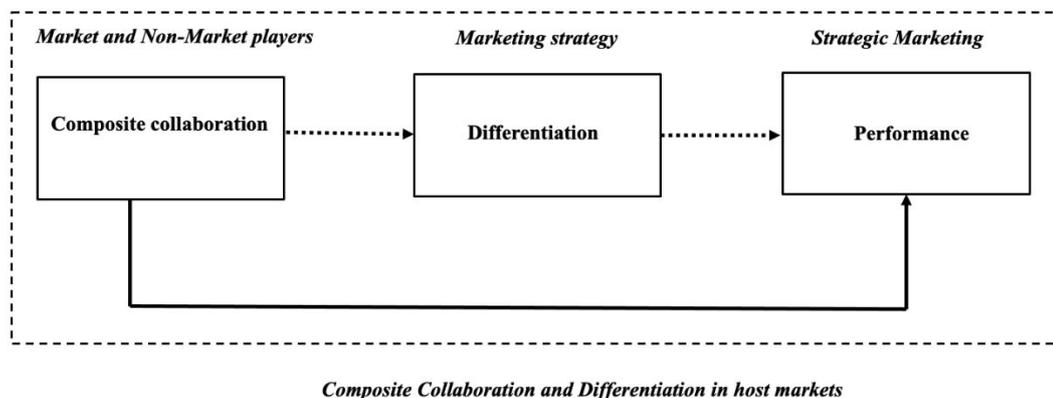
## 21 2. THEORETICAL BACKGROUND

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24 The composition based view (CBV) is a relatively new and emergent theory applied to  
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26 the context of those firms that possess ordinary resources and capabilities (Luo and Child,  
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28 2015). A very few studies have examined its efficacy in context of internationalisation of  
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30 emerging market firms (Li *et al.*, 2021; Luo and Bu, 2018; Sun *et al.*, 2021), and most of the  
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32 work in this regard has hitherto been conceptual (Luo, 2021; Luo and Witt, 2021). This  
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34 theory postulates that a firm endowed with ordinary resources can achieve a competitive  
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36 position through the creative capitalisation of the resources available in the environment. By  
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38 applying this novel perspective to the international marketing context, this study presents the  
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40 argument that a composite collaboration with both market and non-market players in  
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42 advanced host markets may be an important resource for the differentiation strategies and  
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44 strategic performance of emerging market exporting firms. Given that such firms are often  
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46 inexperienced and late movers (Zhou *et al.*, 2010), collaboration with key players can provide  
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48 them with important means suited to establish a foothold in their host markets. As these firms  
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50 also need to compete with established players operating in advanced markets, they can  
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52 overcome the issues caused by their poor brand images by adopting differentiation strategies.  
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54 Furthermore, during external prolonged crises, such as that caused by the COVID-19  
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3 pandemic, differentiation strategies are important, albeit difficult to achieve (Juergensen *et*  
4 *al.*, 2020); hence, it is critical to examine how firms, and particularly those originating from  
5 emerging markets, can differentiate and enhance their market performance during the  
6 pandemic. Our theoretical model proposes that composite collaboration with both market and  
7 non-market actors can influence strategic marketing performance in host markets. This  
8 relationship is mediated by differentiation strategies. This is underpinned by the notion of the  
9 CBV, which asserts that composition is a critical capability (Luo and Child, 2015). Through  
10 the critical compositional collaboration capability that is not costly and openly available, a  
11 firm may be able to create differentiated solutions, leading to market performance. Our  
12 theoretical model is depicted in Figure 1. The following theoretical arguments will support  
13 the predicted model.  
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**Figure 1. Conceptual Framework**



### 3. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Emerging market firms, especially Pakistani one (the context of this study), often lack the resources and capabilities needed for innovation. Moreover, they suffer from a lack of brand reputation and receptivity in international markets (Khan, 2020). Moreover, when they do business in culturally distinct advanced host markets (Messner, 2021), they are required to deal with completely different competitive conditions and market requirements. In addition to

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3 this, they are faced with the institutional logics of advanced host markets, which are often  
4 new to them. Hence, unique capabilities and resources are required for internationalisation  
5 strategies and post entry performance (Elango and Pattnaik, 2007). Despite these challenges,  
6 these firms are strongly motivated to expand into international markets for several reasons.  
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8 First, these firms are often adaptable in dealing with complex and dynamic environments  
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10 (Guillén and García-Canal, 2009) as they have experience of survival under volatile  
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12 conditions, including late liberalisation and unstable political and economic situations (Khan  
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14 *et al.*, 2018; Khan *et al.*, 2015). Despite being latecomers in international markets, they are  
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16 fast learners (Zhou *et al.*, 2010). Scholars assert that, equipped as they are with the  
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18 internationalization experience gained in other dynamic and volatile emerging markets, these  
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20 firms are able to overcome any dearth of outward FDI capabilities, which enables them to  
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22 pursue international marketing activities in advanced economies (Child and Rodrigues,  
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24 2005). Growing numbers of advanced economies offer key assets and resources such as  
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26 technology, branding, distribution channels etc., consequently providing access to resources  
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28 to emerging market firms (Luo and Tung, 2007). This opens fruitful avenues for emerging  
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30 market exporting firms to use global resources that influence their strategic performance in  
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32 advanced markets.  
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43 By applying the CBV (Luo and Child, 2015), exporting firms may be able to form  
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45 composite collaborations with key market and non-market players in advanced host markets  
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47 leading to innovation and enhanced performance. Market based environments consist of  
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49 market players—including customers, distributors, and competitors (Ahammad *et al.*,  
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51 2017)—while non-market environments consists of administrative institutions that include  
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53 political and social actors (Baron, 1995). By collaborating with both market and non-market  
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55 players, firms can achieve favourable outcomes—e.g., by capitalizing on non-market players,  
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57 firms can achieve legitimacy in foreign markets (Rodgers *et al.*, 2019)—and, by networking  
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3 with market players such as distributors, they can understand the future and innovative needs  
4 of the market (Ghauri *et al.*, 2016). Collectively, market and non-market players can help  
5 emerging economy firms to develop strong collaborative networks, learning, and knowledge  
6 exchange opportunities suited to strengthen their strategic positions in international markets  
7 (Luo and Bu, 2018).  
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15 The COVID-19 pandemic has further heightened the role played by non-market  
16 strategies in influencing policy measures (Lawton *et al.*, 2020). For example, businesses often  
17 engage in fostering relationship-based networks with governments, legislative bodies, and  
18 other social actors—such as business communities and media—to derive favourable policy  
19 outcomes. (Akbar and Kisilowski, 2020; Hillman and Hitt, 1999). Given the new trade  
20 policies that have been emerging during the pandemic and the global shift in consumer  
21 demands (Espitia *et al.*, 2021), both market and non-market capabilities may be required for  
22 exporting firms to develop competitive advantages in host markets. For example,  
23 collaboration with market-based players such as distributors and importers could be helpful to  
24 understand the dynamic demands of the markets, while relationships with non-market players  
25 such as governments would be helpful in obtaining the favourable export related policies and  
26 resources that may be helpful for firms to be able to differentiate their offerings and enhance  
27 their performance.  
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45 While international business and marketing scholars are taking an interest in  
46 examining the influence of market and non-market capabilities on enhancing performance  
47 (Baron, 1995; Henisz and Zelner, 2012), to the best of our knowledge, no prior studies have  
48 hitherto examined the importance of these integrated or composite market and non-market  
49 capabilities in developing differentiation strategies leading to strategic performance,  
50 especially in the unique context of emerging market firms exporting to advanced economies.  
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61 Most international business scholars have considered the aspect of market and non-market

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3 strategies in different domains; for example, in cross border mergers (Ahammad *et al.*, 2017)  
4 and institution-level outcome (Liedong *et al.*, 2017). However, no extant study has explored  
5 their composite influence in determining firm-level strategic positions and outcomes. To the  
6 best of our knowledge, ours is the first study to address this research gap.  
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12 The importance of exporting is reflected in the vast body of literature that has examined  
13 the drivers (Paul and Dhiman, 2021; Paul *et al.*, 2017), channels (Ipsmiller *et al.*, 2021;  
14 Kalinic and Brouthers, 2021), experiences and resources (Cieřlik *et al.*, 2015; Sandberg *et al.*,  
15 2019), capabilities (Keskin *et al.*, 2021; Morgan *et al.*, 2012; Zou *et al.*, 2003) and skills  
16 (Khan and Khan, 2021) that influence export performance. Studies have also acknowledged  
17 the vital role played by differentiation strategies for competitiveness in export markets  
18 (Bodlaj and Čater, 2022; Boehe and Cruz, 2010; Zeriti *et al.*, 2014). In fact, a recent  
19 international marketing study has called for further research into the differentiation strategies  
20 adopted in the export sector, particularly suggesting the exploration of the key antecedents of  
21 such strategies (Knight *et al.*, 2020). Hence, through our study, we bridged the gap by  
22 exploring the importance of composite collaboration in differentiation strategies.  
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38 A differentiation strategy refers to a firm's strategic position in relation to the  
39 development of unique products and services and to its focus on adding any unique features  
40 that can increase product/service value (Porter, 1997). Emerging market firms may lack the  
41 economies of scale needed to pursue cost leadership approaches (Knight and Cavusgil, 2005;  
42 Porter and Strategy, 1980); hence, cost leadership may not be efficacious. Studies have  
43 argued that a focussed strategy may also not be applicable to exporting firms due to the  
44 diversity of foreign markets (Knight and Cavusgil, 2005; Porter and Strategy, 1980). The  
45 provision of a unique product that had formerly been unavailable in a market leads to  
46 consumer receptivity and sales growth (Aulakh *et al.*, 2000; Baldauf *et al.*, 2000; Pla-Barber  
47 and Escribá-Esteve, 2006). Scholars have argued that the demand effect of a particular  
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3 product can vary across countries as their consumers are heterogeneous in their preferences;  
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5 hence, a focus or cost leadership is deemed to be an unfeasible strategic option (Di Comite *et*  
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7 *al.*, 2014).  
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10 Despite the importance of differentiation strategies, there is a lack of research on  
11 factors leading to its efficacy, especially for those emerging market firms that chiefly export  
12 to advanced host economies, as the latter's competitive landscapes will be substantially  
13 unique and their customers will demand superior products with unique features. Although  
14 some scholars have examined a few key antecedents of differentiation strategies in the export  
15 context, such as learning and growth orientations (Knight *et al.*, 2020), and while purely  
16 marketing studies have merely related customer involvement with differentiation strategies  
17 (Svendsen *et al.*, 2011), there is a huge scope for understanding the efficacy of collaboration  
18 with key market and non-market actors for the enactment of effective differentiation  
19 strategies by emerging market firms export to advanced markets, especially during the  
20 current pandemic. At the same time, the COVID-19 pandemic is the main driver of changes  
21 in market structures and consumer requirements (Nikbin *et al.*, 2021). Scholars have also  
22 pointed out that, during the crisis, differentiation has become important yet difficult to  
23 achieve (Juergensen *et al.*, 2020); hence, it is critical to examine whether composite  
24 collaboration can lead to differentiated offerings. Against the backdrop of the CBV and the  
25 identified theoretical gaps, we suggested that:  
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49 **H1.** *The composite collaboration is positively influencing the strategic marketing*  
50 *performance of emerging market exporting firms in advanced host markets during the*  
51 *pandemic.*  
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54 **H2.** *The composite collaboration capability is positively influencing the*  
55 *differentiation strategies of emerging market exporting firms in advanced host*  
56 *markets during the pandemic.*  
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3 A given market strategy is arguably the outcome of social, political, and economic  
4 factors (Abolafia, 1998; Fligstein, 1996); hence, it is plausible that market and non-market  
5 collaboration capabilities positively influence differentiation strategies. Contextually,  
6 emerging market exporting firms from Pakistan suffer the differences between the  
7 institutional logics that are often prevalent in emerging market's home and host advanced  
8 markets environments (Wu and Park, 2019), which requires them to put efforts in developing  
9 legitimacy and understanding the unique requirements of their host markets in order to be  
10 successful. In this regard, they may be required to foster networks with administrative  
11 institutions such as governments, policy makers, and media. Specifically, in order to  
12 differentiate, they may require the knowledge to sense market needs, innovate, and compete  
13 against established players in host markets. They may also need to collaborate with their  
14 trade partners, distributors, and trading business communities, and even to establish  
15 horizontal collaborations with other global competitors for market sensing and learning  
16 purposes, which may enable them to understand current and latent market needs (Ghauri *et*  
17 *al.*, 2016), consequently improving their strategic success. Hence, through composite  
18 collaboration, such firms may be able to differentiate their offerings in the competitive  
19 landscapes of advanced markets, which may result in them achieving strategic performance.  
20 This is in conjunction with the argument presented in Khan (2020), whereby emerging  
21 market exporting firms need to be agile and to actively sense market requirements in order to  
22 perform well. Moreover, they also require skills to be able to respond to changing market  
23 requirements of the advanced host markets (Khan and Khan, 2021). These arguments led to  
24 the following:

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55 **H3.** *A differentiation strategy mediates the positive influence of the composite*  
56 *collaboration capability on strategic marketing performance.*  
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## 4. METHODS

### 4.1. Context

Due to Pakistan's huge trade deficit of \$31.07 billion in 2020-2021 (PBS, December 2021), exporting firms are under immense pressure to perform. Pakistani firms are after constrained in terms of resources and capabilities for innovative strategies; consequently, the literature has recently shifted its attention towards this context for understanding key capabilities. (Khan, 2020; Khan *et al.*, 2020; Khan *et al.*, 2018). Given the emergent nature of Pakistan's economy, its products may be perceived as being inferior due to country of origin effects (Balabanis and Diamantopoulos, 2004) or to the existing established offerings from its advanced market counterparts. However, recent reverse country of origin research suggests that a product image can also be transferred to a country image (Lee *et al.*, 2021). Hence, drawing from these arguments, through differentiated offerings in host markets, emerging market exporting firms can gain competitive advantages and enhance their firms' images. Based on these reasons, Pakistan was deemed to be a suitable context for our study.

### 4.2. Data collection procedure

A list of firms exporting to advanced markets was compiled using a directory of Pakistani exporters. The managers of these firms were invited to participate in our study by contacting them through their LinkedIn accounts. Our LinkedIn message contained a Qualtrics survey link. The data collection took place in April 2021. The selection criterion for our respondents was their being either senior management or managers mainly in charge of exports to advanced host markets.

The sampling criterion envisaged one respondent per firm. We took some steps in order to contain single response bias. First, we used a simple language to develop the questionnaire. Second, we approached only those export managers who had the knowledge necessary to answer the survey questions. In total, we collected 115 responses. After deleting 28

incomplete questionnaires and one outlier for the conceptual model, the final usable sample for our study was made up of 86 responses (please see Table 1 for the profiles of the participants and industry types). Given the unique context of emerging market firms (from Pakistan) exporting to the advanced market, the sample size of the study was naturally smaller. A recent former study in such a context has also been based on a sample size of less than 100 firms (Khan, Khan 2021).

**Table 1. Participants' and industry profiles**

Participant profiles	n	Industry types	Firm age (years)		Firm size (# of employees)	
			n		n	
CEO/Director	6	Textile/Clothing/Cotton products	44	1-5	5	1-250
Export Manager	80	Food products	25	6-10	11	>250
<i>Total</i>	86	Technology	6	11-15	34	
		Others	11	>15	36	
		<i>Total</i>	86	<i>Total</i>	86	<i>Total</i>

#### 4.3. Scales

The scales used in our study were adapted from previous studies. All items were measured on a 1-7 Likert scale and are listed in Table 2. The survey also captured industry type, market type, and firm size and age as control variables. We adapted the scales from high quality journals.

*Composite collaboration.* The six-item scale for composite collaboration was adapted from Luo and Bu (2018), Luo and Rui (2009) and Anderson *et al.* (1994). On a scale of 1 (strongly disagree) to 7 (strongly agree), we requested our sample managers to evaluate their respective companies' collaborations in their advanced host markets during an external crisis situation such as the COVID-19 pandemic (or other similar external shocks). The scale captured the extent to which the exporters were collaborating with market players (importing

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3 firms, distributors, and competing firms) and non-market ones (government and legislative  
4 bodies, media, and business communities).

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8 *Differentiation strategy.* The four-item scale for differentiation strategies was adapted  
9 from Hughes *et al.* (2010) and Morgan *et al.* (2004). Considering recent external crisis (or  
10 other similar external shocks), we requested our sample managers to rate the business  
11 strategies adopted by their respective firms in advanced export markets on a scale ranging  
12 from 1 (strongly disagree) to 7 (strongly agree). The scale captured our sample firms'  
13 strategies towards the development of new product offerings, highly differentiated offerings,  
14 innovative marketing and promotion methods, and investment in marketing communication  
15 to build awareness in their respective export markets.

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26 *Strategic marketing performance.* Using the strategic classification of outcomes  
27 associated with exporting (Zou *et al.*, 1998), the four-item scale for strategic marketing  
28 performance was adapted from Prasad *et al.* (2001). Considering recent external crisis (or  
29 other similar external shocks), we requested our sample managers to rate their respective  
30 firm's business strategy performance in advanced export markets on a scale ranging from 1  
31 (far below expectations) to 7 (far above expectations). The scale for strategic marketing  
32 performance captured the sample firms' performance in terms of awareness and image,  
33 targeting key segments, improving market share position, and gaining new  
34 technology/expertise.

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47 Additionally, we measured an unrelated four items scale on restaurant performance  
48 adapted from Zhou *et al.* (2019). We asked participants to rate their level of satisfaction with  
49 a restaurant they have last visited in terms of friendliness of service personnel, availability of  
50 healthy meals, cleanliness of the place and presentation of meals on a 1 to 7 scale (1 =  
51 strongly dissatisfied; 7 = strongly satisfied). The purpose of including this unrelated measure  
52 is to examine the common method bias in the data.

## 5. ANALYSIS AND FINDINGS

First, a factor analysis was performed in SPSS. As predicted, three factors emerged from such analysis. Moreover, all items were loaded in their respective factors, with the lowest item loading being 0.61. The scales' Cronbach's  $\alpha$  values were computed, with the lowest being  $\alpha = 0.83$ . Hence, all scales were found to be reliable (See Table 2).

**Table 2. Construct Measurement**

Constructs	Factor Loading
<b>Composite collaboration (<math>\alpha = 0.84</math>)</b>	
1. The extent of collaboration between the exporting firm and importing firms (e.g., signing long-term agreement), compared with major global rivals.	0.77
2. The extent of collaboration between the exporting firm and international distributors, compared with major global rivals.	0.83
3. The extent of collaboration between the exporting firms and global rivals on product and/or market development.	0.81
4. The extent to which the exporting actively develops legitimacy, long-term relationships with governments, legislation, media, and communities in host markets, compared with major global rivals.	0.61
5. The extent to which the exporting firm conducts horizontal collaboration with other firms in global competition (e.g., information, experience, and resource sharing).	0.68
6. The extent to which the exporting firms collaborates with overseas business communities in strengthening global competition.	0.78
<b>Differentiation Strategy (<math>\alpha = 0.83</math>)</b>	
1. Develop new product offerings for export market.	0.67
2. Offer a highly differentiated export product(s).	0.84
3. Use innovative marketing and promotion methods in export markets.	0.91
4. Invest in marketing communications to build awareness in export markets.	0.86
<b>Strategic Marketing Performance (<math>\alpha = 0.86</math>)</b>	
1. building awareness and image in export markets.	0.82
2. targeting key segments in export markets.	0.84
3. improving market share position.	0.85
4. gaining new technology/expertise.	0.86

The AVE values for all three factors were found to be higher than 0.50 and than the highest square of the correlation between any two factors. Hence, all factors were deemed to be valid from a discrimination perspective (See Table 3).

**Table 3. Mean, Correlations, and Average Variances Extracted**

Variables	Mean (S.D)	AVE	1	2	3
CC	5.22 (0.91)	0.56		<i>0.21*</i>	<i>0.18*</i>
DS	5.30 (1.09)	0.68			<i>0.19*</i>
SMP	5.13 (1.15)	0.71			

CC= composite collaboration; DS = differentiation strategy; SMP = strategic marketing performance

Sq. of correlations are reported in italics and S.D indicates standard deviation.

\* implies correlation significant at the < 0.01 level.

The measurement model was also a good fit (CFI = .95; TLI = .93; IFI = .95; RMSEA = .07;  $\chi^2= 103.3$ ;  $df = 73$ ,  $p = .01$ ). Hence, supporting convergent validity (Hair *et al.*, 2010).

We adopted Podsakoff *et al.* (2003) technique to examine common method bias using common latent factor (CLF). The model with a CLF ( $\chi^2= 87.6$ ,  $df = 62$ ,  $p = .02$ ) did not result in a significantly better fit ( $\Delta\chi^2 = 15.7$ ,  $\Delta df = 11$ ,  $p=.15$ ). Next, adopting Lindell and Whitney (2001)'s marker variable technique, whereby correlations between marker variable (restaurant performance) and variables of this study were analysed. The marker variable was insignificantly related to any of the examined variables of this study. We identified the lowest significant correlation between marker and differentiation strategy ( $r = .04$ ,  $p = .70$ ) and second lowest correlation between marker variable and strategic marketing performance ( $r = -.07$ ,  $p = .55$ ). These lowest and second lowest correlations were used as proxies to adjust common method bias. All significant correlations between the observed variables in the conceptual model remained significant after adjusting for common method bias. Hence, there was no evidence of common method bias. Marker variable was also unrelated to composite collaboration ( $r = .12$ ,  $p = .26$ ).

The conceptual model was analysed using Process macro 4 (Hayes, 2017). Process macro, which is widely used to analyse mediation models in academic studies (Nayak *et al.*, 2021), uses regression-based path analysis to determine the mediation effects (Hayes *et al.*,

2017). It provides the direct, indirect and total paths estimates and tests the significance using confidence intervals. The model was tested using 5,000 bootstrap samples and a 95% confidence interval for the indirect effect. The absence of a 95% confidence interval or zero lying between the lower and upper intervals implies significance (Preacher and Hayes, 2008). Given that confidence intervals are very precise, it exhibits predictive validity (Nayak *et al.*, 2021). The results of the model are shown in Table 4. Using Baron and Kenny (1986) mediation procedure, which is commonly used in business studies (Nirino *et al.*, 2020), we made inferences about the effects. To assess the mediation, the relationship between the independent variable (i.e., composite collaboration) with the mediating one (i.e., differentiation strategy) and that of the independent variable (i.e., composite collaboration) with the dependent one (i.e., strategic marketing performance) should be significant. Composite collaboration was found to be positively and significantly influencing the differentiation strategy ( $\beta = 0.47$ ,  $p < 0.01$ ). The regression coefficient of composite collaboration on strategic marketing performance was found to also be positive and significant ( $\beta = 0.42$ ,  $p < 0.01$ ). Thus, the first criterion for the mediation was found to be met. The second criterion for the mediation was that the mediator variable (differentiation strategy) should be significant and positive and decrease the value of the independent variable (composite collaboration) in the model. The effect of differentiation strategy was found to be positive and significant, and the direct influence of composite collaboration was found to be reduced in the presence of a differentiation strategy in the model ( $\beta = 0.28$ ,  $p = 0.01$ ). The competitive collaboration was found to indirectly influence strategic marketing performance via a differentiation strategy ( $\beta = 0.30$ ,  $ULCI = 0.08$ ;  $LLCI = 0.51$ ). The total effects were found to be significant ( $\beta = 0.42$ ,  $ULCI = 0.05$ ;  $LLCI = 0.50$ ) and the indirect effect was also significant ( $\beta = 0.14$ ,  $ULCI = 0.01$ ;  $LLCI = 0.29$ ) (See Table 5). Hence, we found support for hypotheses 1, 2, and 3.

**Table 4. Process Model 4 (Mediation Model)**

Independent variables	Dependent variable: DS			
	$\beta$	LLCI	ULCI	p-values
CC	0.47	0.28	0.67	<0.01
<i>Controls</i>				
Market type	-0.05	-0.26	0.16	0.63
Firm age	0.17	-0.07	0.41	0.16
Firm size	0.04	-0.24	0.33	0.77
Industry type	-0.01	-0.05	0.04	0.75
Independent variables	Dependent variable: SMP			
CC	0.28	0.05	0.50	0.01
DS	0.30	0.08	0.51	<0.01
<i>Controls</i>				
Market type	-0.12	-0.33	0.09	0.26
Industry type	0.07	-0.16	0.31	0.55
Firm age	-0.11	-0.40	0.16	0.44
Firm size	-0.00	-0.05	0.04	0.79

CC= composite collaboration; DS = differentiation strategy; SMP = strategic marketing performance

Model summary, n = 86, r-sq = .24., p <.01

**Table 5. Direct and Indirect Effects**

Effects	$\beta$	LLCI	ULCI
Direct effect (CC→ SMP)	0.28	0.05	0.50
Indirect effect (CC→DS→ SMP)	0.14	0.01	0.29
Total effect	0.42	0.05	0.50

CC= composite collaboration; DS = differentiation strategy; SMP = strategic marketing performance

## 6. DISCUSSION

By applying the relatively new theoretical CBV (Luo and Child, 2015), this study answers the theoretically and practically important research question of how emerging market firms exporting to advanced markets can differentiate and enhance their strategic performance during the COVID-19 pandemic. The study found that emerging market firms can differentiate and improve their strategic marketing performance in advanced host markets

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3 by engaging in composite collaboration with key market and non-market actors. Limited  
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5 studies have linked composite collaboration in international market contexts. Given the call  
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7 to extend the importance of composite collaboration in value-creating mechanisms (Luo and  
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9 Bu, 2018), we contribute to this perspective by improving the understanding of the  
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11 importance of composite collaboration in the differentiation strategies of emerging market  
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13 firms exporting to advanced economies. The differentiation strategies are critical yet difficult  
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15 to adopt under pandemic conditions (Juergensen *et al.*, 2020)—and more so for resource-  
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17 constrained emerging market firms dealing with the challenging environment of advanced  
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19 markets—our findings put forward new insights into this theoretical perspective. Overall, our  
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21 findings regarding the direct influence of composite collaboration on strategic market  
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23 performance are consistent with the notion that composite collaboration is positively related  
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25 to international market performance in terms of customer range and responsiveness (Luo and  
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27 Bu, 2018). We examined collaboration from the perspective of both market and non-market  
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29 players and presented a mediating mechanism whereby differentiation strategies improve  
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31 strategic market performance (image and market share) in international markets during the  
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33 pandemic. Our study differs from past ones examining differentiation strategies in the context  
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35 of export marketing (Boehe and Barin Cruz, 2010; Knight *et al.*, 2020), given that such  
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37 studies did not consider the context of the firms that were exporting to advanced host  
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39 markets. Such firms naturally deal with greater market complexity due to different market  
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41 conditions (Khan, 2020). Moreover, the extant studies did not develop a strategic framework  
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43 for differentiation during a pandemic (Juergensen *et al.*, 2020). The findings of our study  
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45 elucidate the importance of collaboration with market and non-market players during a  
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47 pandemic in order to differentiate the offerings and fill the gaps in the international marketing  
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49 strategy literature pertaining to export marketing. In doing so, we considered the unique  
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51 context of emerging market firms exporting to developed economies.  
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## 6.1. Implications for Theory

Our study presents salient implications for research. First, we applied and provided empirical support to a fresh theoretical perspective of compositional collaboration, particularly in the context of the market performance of emerging country firms exporting in advanced economies. Second, our findings confirm and assert the compositional collaboration view, whereby emerging market firms with ordinary resources can effectively compete in advanced host markets through the collective and creative use of resources and capabilities (Luo and Child, 2015). In this regard, our findings imply that networking with market and non-market players is highly critical for strategic success in international advanced markets under pandemic conditions. Third, our study addresses an important theoretical gap in international marketing and business studies, which called for research aimed at extending our understanding of the roles played by market and non-market players in internationalisation activities (Rodgers *et al.*, 2021), especially for emerging market firms expanding into advanced economies (Liou *et al.*, 2021). We provide theoretical insights by linking composite collaboration with the mediating mechanism of differentiation strategies. This is another important contribution, given that past studies had not examined how composite collaboration translates into international market performance i.e., via differentiation strategy.

The findings also resonate with the extant scholarship indicating that the specific strategies undertaken by firms are embedded in institutional environments that can explain firm performance (Gao *et al.*, 2010; Meyer *et al.*, 2009). Given the competitiveness of advanced host markets and the emerging market firms' lack of brand reputation and legitimacy in such markets, it is critical for these firms to be able to provide unique and differentiated products and services in order to create more value for their customers. However, this may be even more challenging during the COVID-19 pandemic, which has

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3 changed the market structures and needs of the customers. Hence, our findings imply that,  
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5 through collective collaboration with market and non-market players, emerging market firms  
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7 can seize dynamic market requirements under pandemic conditions. These networks or  
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9 collaborations constitute the critical capability of differentiating market offerings. For  
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11 example, networking with governments and policy makers would enable emerging market  
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13 firms to build legitimacy and risk reduction in these competitive markets (Liedong *et al.*,  
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15 2017; Rodgers *et al.*, 2019), which may enhance their effectiveness in terms of timely  
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17 responding to changing market needs. Also, networking with administrative institutions may  
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19 give them access to the resources and information they need to create innovative offerings.  
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21 Horizontal collaboration with competitors can help emerging market firms to share R&D and  
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23 experiences in order to shape disrupted markets (Ferrell *et al.*, 2020). At the same time,  
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25 collaboration with channel partners such as distributors can help them to gain market  
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27 information, which may help them to effectively understand market requirements (Ghauri *et*  
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29 *al.*, 2016), consequently leading to the creation of innovative solutions and the achievement  
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31 of market success. Finally, to our knowledge, the existing studies that have adopted the CBV  
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33 have not explored the underlying mechanisms that enhance its utility; this study thus  
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35 integrated differentiation strategies as important mediating mechanisms between the CBV  
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37 and the marketing performance of resource-constrained emerging market exporting firms.  
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39 Finally, this study contributes contextually to the international marketing literature by  
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41 examining the under-studied context of Pakistan and the unique case of this country's firms  
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43 who are exporting to advanced economy markets.  
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## 54 **6.2. Practical and policy-related contributions**

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56 This study makes valuable practical contributions to emerging market firms operating in  
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58 the challenging environments of advanced host markets. These environments are proving to  
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3 be even more challenging during the COVID-19 pandemic, as evolving market needs and  
4 requirements require firms to adjust their strategies for superior performance. Given that  
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6 emerging market firms have ordinary resources and often depend on their home governments  
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8 for support, they should creatively seek opportunities and develop capabilities to achieve  
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10 competitiveness in their host markets by establishing network connections. The managers of  
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12 such exporting firms can sustain their firms' performance by collaborating with the market  
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14 and non-market players of their host markets. Through these collaborations, they would be  
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16 able to develop differentiating strategies suited to help them to improve their strategic  
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18 marketing performance, such as improving brand awareness and image, targeting new  
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20 segments, improving market shares, and gaining expertise for effective market operations in  
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22 advanced markets. Specifically, during the current pandemic, connections with important  
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24 socio-political actors can result in a better understanding of the changing needs and market  
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26 requirements, leading to the effective strategizing of innovative solutions. Managers should  
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28 thus work closely and collaboratively with key players in identifying changing market needs,  
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30 new or untapped segments, and potential customers.  
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38 The managers responsible for exporting should develop key networking capabilities by  
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40 attending trade fairs, conferences, and business seminars, and by working closely with trade  
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42 partners in their advanced market counterparts. They should be proactively engaging with  
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44 these important players to gain the ability to generate key resources and capabilities such as  
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46 market knowledge, learning, shared resources, shared R&D, and legitimacy building. Our  
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48 findings also point at the important role played by differentiation strategies in enhancing the  
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50 value of compositional collaboration and improving the performance of exporting firms. The  
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52 managers of exporting firms should focus on adding unique features to their products and on  
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54 paying greater attention to specific segments and value creating drivers, instead of merely  
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56 competing on a cost basis. Due to their poor country of origin image, the managers of  
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3 emerging market exporting firms should revisit their business models and pay attention to  
4 unique value adding drivers such as the addition of unique features and the utilization of  
5 technology and distributor networks suited to increase the perceived value of their products  
6 and services. In addition, they should align their firm-level strategies, such as differentiation,  
7 with external ones—in this case, collaboration strategies—in order to enhance their firms'  
8 market performance. Exporting firm managers should also pay more attention to the decision-  
9 making autonomy of key managers and to delegating tasks to them, thus enabling such key  
10 decision-makers to effectively enact compositional and differentiation strategies on a global  
11 scale. Overall, the findings of our study suggest that the managers of emerging market  
12 exporting firms can exploit the unique institutional environments in developing viable  
13 compositional and differentiation capabilities suited to develop competitive advantages in  
14 advanced host markets.

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31 Our findings also provide important insights to the policy makers of emerging  
32 markets. Given that exporting is one of the strategic priority sector in the context of Pakistan,  
33 the home government should promote initiatives aimed at developing the export capabilities  
34 to enable these firms to differentiate their offerings in much more experienced advanced  
35 markets (Luo *et al.*, 2010). The government should provide subsidies and incentives to export  
36 managers in developing innovative capabilities for differentiation and undertaking innovative  
37 projects that help firms to improve their customer service and brand image in challenging  
38 advanced markets. Government should encourage exporting firms to engage and collaborate  
39 with market and non-market actors such as distributors, importers, overseas business  
40 communities, and media etc. In this regard, the government could provide networking  
41 opportunities with the advanced host markets' administrative institutions and other non-  
42 market players, such as export facilitating associations. The government could also  
43 incentivise these firms to engage in important networking events such as trade shows, trade  
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3 conferences, and other trade partnerships events and subsidize collaborative projects that are  
4 aimed for developing innovative and differentiated offerings for the export markets. This is  
5 because differentiated offerings may involve risks and costs. Hence, home government  
6 should also support in research and development of the differentiated products. Partnerships  
7 with educational institutions and training bodies could help develop applied courses on export  
8 strategies. Additionally, the government could develop partnerships with financial institutions  
9 providing credit lines for those export firms interested in educational, networking, and  
10 training programmes and in the international certifications that may help them to attain the  
11 marketing skills needed to tap competitive and culturally different developed markets.  
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### 26 **6.3. Limitations and future research agenda**

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28 Our study has several limitations that could be attended to in future research. First, it was  
29 conducted in a single emerging market. It would thus be useful to consider conducting a  
30 cross-cultural comparative analysis in future work (Ferraris *et al.*, 2019). Second, this study  
31 utilized survey data with one response per firm; future studies could thus consider adopting a  
32 mixed method approach or a larger sample size and compare different types of firms from  
33 similar emerging markets. Third, in our study, we examined the mediation only model. It  
34 would thus be valuable to test any conditional moderating mechanisms. In this regard, future  
35 studies could possibly examine the moderating role played by various industries and  
36 institutional distances. Although we found industry sector to have an insignificant effect in  
37 the model, it would still be critical to examine the model for industry effects by considering  
38 strategic industries and emerging technologies. In addition, there is scope to examine the  
39 moderating influence of host market competitive intensity and market complexity. Fourth, we  
40 focussed only on differentiation strategies as, through these, emerging market exporting firms  
41 can develop competitive advantages by offering superior value products/services; therefore,  
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3 future studies could explore the importance of composite collaboration for cost leadership  
4 strategies. Other possible work-extending avenues could involve an examination of the role  
5 played by a business innovation model, environmental uncertainty, emerging technology and  
6 turbulence, and strategic agility. Future studies could also consider perceived opportunities  
7 and matching capabilities for differentiation (Qin, 2021), and, furthermore, test the model for  
8 the exporting strategies of family-owned firms (Mura, 2021). Lastly, future studies could  
9 examine strategic ambidexterity alongside composite collaboration, as Luo and Child (2015)  
10 indicated that firms need to creatively blend imitation with innovation, this would an  
11 interesting topic to explore in the context of emerging market exporting firms.  
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