Handbook of Research on Entrepreneurship, Innovation, and Internationalization

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Business Strategy and Financial Performance

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ABSTRACT

This chapter will focus on the relationship between the business strategy and the financial performance, which naturally, will study the different approaches to the competitive context and the strategic initiatives themselves. The contributions of different authors over time and the evolutionary logic of the approaches on business strategy are first, which will emphasize strategic positioning and resource-based theory. Next, several types of strategies will be approached, based on different views: product and market choices, sources of competitive advantages, the activities to be carried out internally or to be subcontracted and the geographic space of action (internationalization). Finally, a number of research papers will be presented that studied the relationships between business strategies and financial performance, mentioning the main empirical evidence from the different studies. In this way, it is intended to contribute to a better knowledge of successful strategies in the business context.

INTRODUCTION

This research work focus is, above all, the connection between business strategy and financial performance within organizations. Naturally, through literature review, different approaches on the competitive context will be studied, as well as different strategical initiatives.

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It begins by presenting different literature contributions over time and the evolutionary logic of the approaches on business strategy, highlighting the strategic positioning and resources-based theory.

The points that follow will describe each of the approaches, the relationship among them, as well as some concepts and results of empirical studies on the two research currents that have attempted to explain the performance differences between companies operating in the same industry. On strategic positioning, it stands out the Porter model of the five competitive forces (1980), and the intra-industry analysis, that intends to study companies' behaviour within an economical sector, by identifying companies with similar strategies (strategic groups) or competing in the same markets (competitive groups).

As far as resource-based theory is concerned, we will highlight the concepts of resources, capacities and competencies, and highpoint different authors' contributions to the development of this business strategy approach. Finally, we will reflect about the complementarity between strategic positioning and resource-based theory, characterizing its importance on success in business.

Next, considering the variety of strategic actions susceptible to be developed by the organisations, we identify scopes that have been considered to explain performance, both in the various approaches of business strategy, as in empirical studies developed for this purpose. Thus, various types of strategies will be addressed, based on different visions: product and market choices (Ansoff, 1984; Martinet, 1989), competitive advantages sources (Porter, 1980; Hill & Jones, 1995), operational chains activities internally carried out or subcontracted (Porter, 1985; Martinet, 1989) and geographic area of action, namely internationalization (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977).

Finally, we will present several research studies about relationships among business strategies and financial performance, as well as their main empirical evidences.

So, the main purpose of chapter one is to characterize the different approaches on business strategy, the different strategic dimensions related to the large management decisions of the organizations and, simultaneously, to present the main results of investigations that have studied the relationships between business strategies and financial performance. In this way, we intend to contribute to a greater understanding of successful strategies in the business context.

METHODOLOGY

The methodology adopted is based on a detail and systematic review of the literature on main topics covered, more specifically, strategy approaches and performance.

The literature review is based on research in databases such as B-on, with access to web knowledge and a great diversity of publishers, like for example, Elsevier, Wiley, Springer, Kluwer, SAGE and EBSCO.

Are also consulted the databases of Proquest, JSTRO, Science Direct, Wiley Library Online, complemented by searches through Google and Google academic. Using specific search terms, the literature about the core concepts is explored and the critical analysis of the literature is made throughout the chapter.

THINKING STRATEGIC APPROACHES

The development of management as a discipline arose from companies' growth in the end of the nineteenth century, because of the second Industrial revolution. The main goal of the classical management approach was the need to systematize work organization and make it more efficient for workers to perform tasks.

On that matter, important contributions were made by Frederick Taylor (1911), Henry Fayol (1916) and Max Weber (1904) who studied, respectively, productivity in tasks performing, the chain command, and bureaucracy as a way of establishing rules and procedures in the organizations' functioning.

Since the early 30's until the early 60's of the twentieth century, there were significant progress in this matter. The management behavioural approach was featured by Elton Mayo (1933), which focused on motivation, by Kurt Lewin (1935) who wrote about group dynamics and its effect on learning. In addition, Robert Bales (1950) and Douglas McGregor (1960) wrote about kinds of leadership to adopt, depending on the attitude of the employees towards work, in order to answer productivity issues due to workers' dissatisfaction.

Centered on the improvement of processes and the encouragement of collaboration, Drucker (1954) developed the concept of management by goals, which aimed at the alignment of managers concerning organizational objectives through authority decentralization, participation and employees' accountability in planning, defining and controlling.

Overcoming reflection about the companies' internal aspects, the 50's marked the emergence of works that stressed, for the first time, the importance of the surroundings environments in the organizations' activity:

- Systems theory was adapted by Forrester (1958) from the original theory about living organisms, that aroused the analysis of the company as an open system in constant interaction with its surrounding, being itself formed by subsystems that interact with each other, mutually conditioning;
- The contingency theory, raised by Joan Woodward (1965), evidenced that management and organization are not static. The way decisions are made must conform to the internal reality of each company, and how it should fit into the surrounding environment where it is inserted.

Whereas the company is indissociable from the context in which it acts, and that it is subject to changes, planning the future in the likeness of the past has become increasingly less adjusted to reality. The concept of strategy, from military art, was introduced in management, with remarkable development in the 60's.

In 1969 and in line with the principles of systems' theory, the LCAG model (initials of the authors ' names – professors Learned, Christiensen, Andrews and Guth, from Harvard Business School) established a method for analyzing the relationship between the company and its surroundings environments, to support decision-making regarding the future (Learned et al., 1969). Thus, companies' strategy enhancement, should analyse its surroundings environments, essentially as regards the economic, technological, political, legal and social means, in order to predict future alternative scenarios. After, strengths and weaknesses should be analysed, as well as their distinctive competences, that represent what the company can do better than its competitors.

In this way, formulating a strategy would include both surrounding environment and internal resources' conditions, with a view to establish a way to create competitive advantages. This confrontation that the SWOT analysis expresses, between opportunities and threats detected in the environment, and the strengths and weaknesses of the company, identified in their internal analysis, enabling the establishment of suggestions for strategic actions, was the practical instrument that lasted.

Other aspects were also studied, at this point. In line with contingency theory, Chandler's work (1962) evidenced a close relationship between the organizational structure of large companies and the evolution of the outlined strategy, being a key factor in its implementation. In this way, there is no ideal way to organise, but a way that, at every moment and situation, is more suitable to the chosen strategy.

Still in the 60's, enjoying of a relative predictability of the surrounding environment, companies were growing and generating financial surplus. Strategic Analysis had the financial area as focus, creating detailed budgets for the medium and long term, so to perspectives the growth measure of both the market and the organization (Grant, 2005). At that time, the most successful companies were those that could ensure monopolistic positions, obtaining greater market share and, therefore, scale economies that generated greater profitability. Such competitive positions, were based on the creation of barriers to competitors' entry, coming from other industries (Rumelt, Schendel & Teece, 1991).

The strategic focus passed, thus, essentially, by the resources' development to monitor the evolution. To this purpose, Greiner (1972) established a model of organizational structure evolution, according to the age and size of the company, the industry growth rate, the managers' maturity and the structure itself. Each stage of the company's evolution was preceded by a crisis arising from the growth of the activity and demanded the transformation of the resources' organization and the way of directing the managers, to ensure the necessary flexibility to the challenges of the business context.

Due to the large growth of companies during the 60's and investment needs from the financial surplus arising from the activity, the business diversification strategy became current among the main business groups, giving rise to conglomerates of companies. The lack of strategic analysis tools for such companies encouraged the consulting firms Boston Consulting Group (BCG), McKinsey and Arthur D. Little (ADL.), to create management tools for business portfolios that, in a practical way, sought to provide answers to the needs.

The Boston Consulting Group, through their collaborator Bruce Henderson, launched during the 70's, the famous matrix BCG that stressed the effect of economies of scale and experience in managing business portfolios. As companies specialised in a business, the resources were naturally optimized through the experience in activities' implementation. That brought up a very important strategic implication, since leadership in each business or market segment allowed better profitability, not based only on scale economies, but also on accumulated experience, that permitted lower costs, when compared to those of the less efficient producers.

The BCG matrix interconnected the attractiveness of different businesses with the company's competitive position in these same businesses. It used the growth rate of the market/industry to measure attractiveness, considering high rates those above the growth of the national economy. Regarding the competitive position, the indicator used was the relative market share, which was given by the ratio between the company's market share and the market share of its biggest competitor in each business.

Deep down, it was about achieving a risk diversification, simultaneously covering, businesses that provided short-term growth (stars – leadership in business with high growth rates), businesses that could generate cash-flows to finance the necessary investments in other business (dairy cows – business leadership with low growth rates), businesses that ensured sustainability in the medium and long term (question marks – non leadership in business with high growth rates) and abandonment of the remaining business (stray dogs – non leadership with low growth rates). The intention was, by doing this, to generate short-term profits without jeopardizing the business success in the medium and long term.

The main criticism made to the BCG matrix, concerns to the fact that it reduces business attractiveness to the growth rate and the company's competitive position to their market shares. As it is known, there are various factors that influence both the attractiveness of business and the competitive position of companies. For instance, on one hand, the existence of substitute products or the pressure of new competitors, are variables that condition the level of profitability generated by business. On the other hand, notoriety, quality, offer innovation or process efficiency, clearly favors the position of the competitors that dominate these competences.

In response to these criticisms, the General Electric / McKinsey matrix arose. Although it bases the management of business portfolios equally on the attractiveness of each business and in the competitive position of each company, it doesn't consider only the growth rate and the market share, but uses several quantitative and qualitative criteria to conduct an appropriate analysis of the decision process. Each criterion is given a weighting, according to its importance in business evolution and company competitiveness.

Regarding the business portfolio management model developed by ADL, that also crosses the attractiveness of business with the competitive position of the company, the competitive ability of companies present in the business is also assessed by several criteria of a qualitative and quantitative nature, however, attractiveness is assessed through the business' life cycle, defending that the company should know how to reconcile business in the launching or growth phase, to demand high investments to keep up with the market growth, with a maturity-phase businesses able to release high cash-flows able to finance the activity.

The aforementioned models, inserted in an instrumental approach, are the first to use industry as a reference to position the business situation of the company and advocate strategies intended to be adjusted to their evolution.

However, the highest markets volatility and the increasing competitiveness on a global scale since the 70's, have come to modify competitive conditions and brought new research currents and new instruments of strategic analysis. In a turbulent environment, in constant mutation, where competitive rivalry was more intense, was visible that the environment required the organizations a constant strategic adaptation.

Due to greater context uncertainty, several models have also emerged, that intended to give a more reliable picture of the impact of the environment on business activity. In this sense, Ansoff, Declerk and Hayes (1976) developed the strategic management concept, definitively including environment changes in the Strategic analysis contents, what assumed the adjustment of the organizational configuration as a response to the contexts' adequacy.

Considering that the surrounding environment that most influences the company is the industry or industries in which it is inserted, Porter (1980), based on the structuralist model of the industrial organization in which the structure of the industry determines the behavior of the companies and determines the performance, rearranged the analysis of the industrial structure, framing it in 5 strengths (competition between companies, threat of new competitors, threat of substitute products, negotiating power of suppliers and negotiating power of customers). Thus, the attractiveness of each business varies according to the impact of each of the component forces of this model and, in this context, the company will react strategically, defending itself, controlling or influencing the forces in its favor.

In the same work, Porter popularized the concept of strategic groups (companies that acted similarly in certain strategic variables and tended to respond identically to the constraints of the surrounding environment), previously introduced by Hunt (1972), drawing attention that, within the same industry, there could be greater competitiveness. As such, performance was explained not only by the attractiveness inherent in each industry but also by the existence of strategic groups of companies, with different areas and forms of action and different profitability, follow-on the barriers of mobility that hinder the movement among groups.

Contrary to the perspective that presupposes a reactive attitude of the company to the surrounding environment, other jobs placed inside the company the center of the construction of the competitive advantages.

So, Nelson and Winter (1982) stressed the importance of Schumpeter's perspective: it is the ability to generate revenues through innovation, which is the base of competitive advantages and consequently, of the best performance. On the other hand, Mintzberg (1982) observed that the adjustments of the organizational settings did not depend solely on the adequacy, but they were also conditioned by sociologic factors of each company, related to their size, age, power, technology, etc.

The resource-based theory arose with this perspective, mainly since 1984, with the work of Wernerfelt and Rumelt. Several researchers (Wernerfelt, 1984, 1985 and 1995; Rumel, 1984; Prahalad & Hamel, 1990; Barney, 1991, 1997 and 2001) highlighted the concepts of central resources and competences, focusing on the explanation of companies' performance and use of resources to create sustainable competitive advantages.

By the foregoing, on the one hand, one can verify that the binomial Environment and Company constantly repeats itself in the search for the ideal combination of resources and key opportunities and threats, with different emphases to each of these elements (Collis & Montgomery, 1997).

On the other hand, the current reality shows us that optimal solutions in past situations do not mean success in new challenges (Sull, 1999), thus not surprising that the evolution of resource-based theory has been in the sense of highlight the relevance of companies ' ability to renew their core competencies over time, hindering the imitation by the remaining competitors.

Then arose the concepts of dynamic capacities (Teece & Pisano, 1994; Helfat & Peteraf, 2003) and organisational learning (Senge, 1990), fundamental in nowadays organizations. Also, in the opinion of these researchers, companies with greater financial sustainability over time were those who had greater ability to learn, continually renew and innovate.

At the same time, several works carried out during the last two decades (Barney, 1991; Peteraf, 1993a; Helfat, 1994; Markides & Williamson, 1994; Edvinsson & Malone, 1997; Kluge, Stein & Licht, 2002; Ray, Barney & Muhanna, 2004; Kaplan & Norton, 2004), evidenced that creating distinctive competencies and strong competitive advantages lays fundamentally in the internal resources denominated intangible assets, where included human resources, information systems and the quality of management, measured by the leadership capacity, to implement a culture of innovation and market response, to align the performance of the various functional areas and hierarchical levels and to work as a team and share knowledge.

However, it is not enough for organizations' success, formulation clear strategies to implement, regardless if based on the resources or the surrounding. It is also necessary having the capacity for its implementation.

So, during the last two decades, one of the main research topics in strategic management, has been realizing the ability to implement the strategy designed by the top organs of the organizations. According to Kaplan and Norton (2004) most companies cannot achieve the objectives planned, by failing to implement the outlined strategies. "At the limit, the strategy became Action" (Freire, 1998, pp. 42). That's why operationalising the strategy, through the so-called management control instruments, became essential for the mission dissemination and organisational objectives, and for aligning the performance of the various hierarchical levels and the various functional areas. These instruments include Responsibility Centers and the criteria for assessing the performance of managers and centers, based on operational plans, budgets, financial control and in controlling the critical factors of the success of the defined strategy, using *tableaux de bord* and balanced scorecards (Anthony & Govindarajan, 2001).

In this regard, the work developed over the years by Kaplan and Norton about balanced scorecard (2004), had the great merit of showing the importance of aligning the internal resources, the working processes performed, customer satisfaction and the creation of financial value to obtain a sustained organizational performance.

Thus, such as Ansoff (1987) already referred, the evolution of the approaches to business strategy, was fundamentally characterized, by two distinct research currents:

- One based on positioning, essentially rooted in the basic model of the Industrial organization (structure – behaviour – performance), which has as its main focus the surrounding environment and structural analysis of the industry, as a way of defining the target segments of products and markets and in sequence, suit the internal resources according to the kind of competitive advantages needed to develop;
- Another one based on company (where one could include the theory based on the resources) that focuses on what the company is capable of doing best, for selecting target segments of products and markets where sustainable competitive advantages can be built more easily.

Apart from Ansoff, also Mintzbeg, Ahlstrand and Lampel (2002), considered the existence of different approaches. Yet, researcher understand they represent only parts of the business strategy, which may complement each other, creating a close relationship between the surrounding environment, internal capacities and strategic formulation.

STRATEGIC POSITIONING

The Relevance of the Environment: General Environment and Sectoral Environment

As previously mentioned, strategic positioning assumes that the surrounding environment is decisive in formulating a strategy.

The business environment consists of a wide range of dimensions and its analysis implies some selection of those considered most important for the activity development. Literature refers to several methodologies, but the most common way to proceed is to separate the most relevant aspects into two levels of analysis: the general surrounding environment and the sectorial or specific environment. The general environment is the broader context in which the activity is inserted and understands, among others, political, economic, legal, environmental, technological and social aspects. These dimensions are, essentially, the basic conditions of the model of the Industrial organization. The sectorial or specific environment refers to the closest context, that is, which directly affects the activity. As previously mentioned, Porter (1980) sought to analyze it through the well-known model of the 5 competitive forces, whose intensity conditions the potential for profitability:

- Competitiveness among existing companies in the industry: contexts of great rivalry deteriorate profitability
- Suppliers' negotiating supremacy: sales price policies can affect an industry profitability, so do payment deadlines, delivery deadlines and products' quality

- Customers' negotiating supremacy: gaining pricing policies can affect an industry profitability, as well as payment deadlines, quality level requirements and product's adequacy
- Threat as in entry of new competitors: The entry of new competitors causes an increase in the supply capacity, affecting profitability level
- Threat of substitute products or services: Can condition the profitability of the industry by limiting the sales prices

Through the analysis of the 5 competitive forces, it is possible to obtain a competitive context by identifying the factors that may impact the potential industry attractiveness.

So, considering the structural characteristics of each industry, it will be possible to outline more correctly the actions to be undertaken in strategic formulation. For example, in a fragmented industry (in which supply capacity is distributed by a large number of organisations, each with little significant market share), companies should be able to respond to the needs of specific segments or promote concentration if they are in a position to exploit larger economies of scale than direct competitors. On the contrary, in a concentrated industry (where supply capacity is centred on a small number of organisations), companies could reinforce their economies of scale, their experience, or seize market segmentation opportunities not seen by other competitors (Porter, 1980).

According to Cachadinha, Bezelga and Reis (1995), some authors (Bain, 1956; Mann, 1966; Orr, 1974) considered that only the structural elements of the industries influence the performances of the companies, because of the relationship that is supposed to exist between companies in an industry, with a certain behavioral homogeneity.

Nevertheless, other authors (Hatten & Schendel, 1977; Porter, 1979; Caves, 1980; McGee, 1985) argued that companies are heterogeneous units in terms of size and behavior, which conditionate the performance.

So, for the first ones, the industry is a unit of analysis, and the performance is determined by its structural characteristics as, for the seconds, performance differences are justified by the industry and the behavior of each company.

In that sense despite performance differences between industries, there are also differences in performance between companies in the same industry (Cachadinha et al., 1995).

However, not all companies have sufficiently differentiated behaviours that justify the differences in profitability and, therefore, in a context of strategic positioning, the company should not be solely the most appropriate unit of analysis for explanations of performance differences, and it's necessary to take into account an intermediate level of analysis between the company and the industry (Cachadinha et al., 1995).

Intra-Industry Analysis

Although the industry analysis is an important source of information about the forces that condition the business activity, it is important to know in greater depth the competitive environment that a very aggregated analysis does not allow.

The study of how companies compete within the sector of activity to which they belong has been subject of attention in the literature on business strategy. Various approaches have been discussed by looking to group companies that resemble each other and that, therefore, are more direct competitors. Even in judicious defined activity sectors, there are always some heterogeneity. The analysis proposals in literature basically settle in the dimensions that each one considers more relevant to unveil groups of companies, allowing you to map in a useful way the different competitive positions.

So, considering the strategies' similarity, there will be strategic groups and, essentially considering the products and markets characteristics to which they are dedicated, the competitive groups. Still, some authors defend that the establishment of competitive groups should be performed in a cognitive way, taking into account the way each company perceives the others as competitors.

Starting from different dimensions, the results are not coincidence and you can always discuss what each methodology allows and also its limitations.

These are the different perspectives that matters to discuss.

The Strategic Groups

Strategic groups were, undoubtedly, in the last quarter of the past century, the most debated analysis proposal. Presented by Hunt (1972), was released by Porter (1980), having been used in many empirical studies and the focus of theoretical discussions.

Hunt noted that, within the same industry, there were very heterogenous companies, which implemented different strategies. Thus, groups of companies can be formed, according to the strategy type assumed (strategic groups). In line with the model of the Industrial organization, the groups that developed more difficult strategic characteristics to copy by the remaining competitors, created mobility barriers. As such, groups with stronger barriers would have better performances (Porter, 1980).

It was understood, therefore, that the different performances were directly related to the strategic group to which the company belonged. Adapting the original idea of the industrial organization model, companies belonging to a strategic group, tended to collaborate in a way that would create a favorable competitive environment about companies from other strategic groups in the industry, avoiding new entries (Caves & Porter, 1977; Fiegenbaum & Thomas, 1990; Dranove, Peteraf & Shanley, 1998). This collaborative activity helped companies that constituted the strategic group, leading to similar performances among them (McNamara, Deephouse & Luce, 2002). So, companies belonging to different strategic groups were subjected to diverse competitive environments with different performance potential, generally creating differences in profitability between strategic groups and homogeneity within (Caves & Porter, 1977).

Alphonse, McGee and Thomas (1987), attribute relevance to strategic groups' definition for the following reasons:

- Defining strategic dimensions that give rise to groups allows a better understanding of how competitors formulate their strategies
- Defining strategic groups allows better understanding about competing companies
- Knowing performance differences among groups allow us to know the industry competitive strategies of success
- The observation of the dynamics among groups allows better understanding of the industry evolution and eventual strategic movements and responses to events of the surrounding environment

Thus, it was considered that a company performance could be explained by the intrinsic characteristics of the sector, the strategic group where it belongs and lastly, its own action (Strategor, 1993).

Continuing the work developed by Hunt (1972) on strategic groups, numerous studies have been elaborated by several authors, with different concepts.

Whereas Hunt (1972), Porter (1980), McGee and Thomas (1986), Hatten and Hatten (1987), Cool and Schendel (1987) had as reference to its concept the companies' strategies similarities, other authors, Newman (1973), Harrigan (1985a), Peteraf and Shanley (1997), associated the strategic groups' concept to a group of companies that acted in the same market, competing for the same customers.

Thus, several configurations can be found depending on the profiles chosen as a reference (Ribeiro, 2003). One can consider that:

- The strategic groups are susceptible to theoretical exploration – derived from the countless strategic profiles that can be used as definition
- The concept of strategic group is theoretical – the strategic groups are not constituted, one can identify, imaginarily, groups of companies that may not relate each other but find themselves working in an industry which is a study subject
- When different strategic groups have been identified – it is difficult to set its borders – fluctuate a lot according to the standards considered for strategic profiles established as a reference

Porter (1980), says that the definition of strategic groups is very important to identify a set of factors that facilitate competitive analysis:

- Mobility barriers among groups, which protect the group constituent companies from other groups' attacks, managing to maintain their positions
- Marginal groups, which represent companies that have poorly defined strategic orientations and therefore are potential candidates to enter strategic groups or to leave the industry
- Strategic movements of sector companies, showing strategies guidelines for companies in the industry
- Trends of change within sector companies and consequences that may exist at the performance level
- Forecasting of sector reactions to environmental events, since companies within a group tend to react similarly to threats and opportunities, due to the similarity of their strategies

Also, Martinet (1989), refers the importance of strategic groups to determine two types of competition, namely, inter that is directly related to the strategic movements that companies develop within the industry and intra, in which the performance of the companies within the group is determined by the quality and efficiency of its operational management.

Thus, in the context of the identification of strategic groups within a sector of activity, companies may adopt various guidelines, namely (Porter, 1980):

- Creation of a new strategic group through, for example, technological changes that create very strong entry barriers to remaining competitors
- Change to a strategic group in a more favorable position, with higher levels of attractiveness that provide better performance
- Strengthening the structural position of the existing group or the position of the company within the group, through actions that encourage mobility barriers that are more difficult to overcome
- Change to a new group and strengthen the structural position of it, through an increase in mobility barriers

Several empirical studies have been carried out in the context of the strategic groups, but with different objectives, highlighting, according to Vaz (1999) the following:

- The analysis of the strategic-performance group relationship
- The identification of strategic groups according to theoretical types of business strategies conceptually defined and each studied sector specificities
- Study of the strategic groups' dynamics

With regard to the relation strategic group – performance, several works were developed over the years, that evidenced differences in performance among strategic groups (for example, Cool & Schendel, 1988; Leask and Parker, 2007; Shah, 2007; Short, Ketchen, Palmer and Hult, 2007; Teixeira, 2013). However, other works, West, (1990), Lewis and Thomas (1990), Short (1993), Pinto (1995); Kling and Smith (1995) and Vaz (1999) didn't demonstrate that different strategic groups present significant differences in performance. In other words, identifying all of them the existence of strategic groups, they didn't all confirm that different strategic groups present significant performance differences (Cachadinha et al., 1995).

Other works were developed on various sectors of activity, identifying strategic groups and from which infer a diversity of conclusions.

Cool and Schendel (1987), Mascarenhas (1989), Fiegenbaum, Sudharshan and Thomas (1991), Fiegenbaum and Thomas (1995), Tallman and Atchinson (1996) and Vicente and Puerta (2001), developed studies with the aim of observing the dynamics of the strategic groups, explaining their formation and consequent evolution of strategic orientations, as well as Mascarenhas and Aaker (1989b), who studied the strategic changes over the different economic cycles in the oil industry.

As one can see, there is a wide variety of studies on the strategic groups' thematic.

As mentioned above, the analysis of the evolution of the topics covered through the years shows that, in the 70's and 80's prevailed the works on strategic groups' identification, in diverse sectors, and on the empirical confirmation of performance differences among groups, in order to highlight the most successful strategies.

From then on, several works have emerged, notably, Cool and Schendel (1988), Lawless et al. (1989), Cool and Dierickx (1993), McNamara et al. (2002) and Short et al. (2007), that focused their attention on the performance differences within the groups, placing particular emphasis on the importance of competencies developed at the company level in explaining the different levels of performance. These studies also intended to demonstrate that the level of rivalry within the group tended to overcome the collaborative effort, thus not cooperating in the creation of barriers of mobility.

Lawless et al. (1989), Reger and Huff (1993), McNamara et al. (2002) and Short et al. (2007), observed that the greater variability of performance differences was plaid within the strategic groups, because, being strategically similar companies, also tended to occupy the same competitive space more frequently and hence the level of rivalry be higher, in view of possible competition relations with companies from other strategic groups.

In this regard, it should be noted the concept of market segment, which is defined as a set of customers with the same needs, desires and wills. Consumers from another segment, have different needs. As such, a strategic group characterized by the differentiation, tends to compete for different customers, when compared with a strategic group that bets on cost leadership (Shah, 2007).

As for intra competitiveness, Govern and Huff (1993) and Porac, Thomas, Paton and Kanfer (1995), have come to point out that, considering companies' accomplishment, these could be divided into major, secondary and transitional, according to the identification degree concerning the strategic group' characteristics. Major companies were the reference firms of each group, which incorporated their traditional characteristics; secondary companies, included those that were attempting to secure alternative positions, avoiding direct competition with major companies; finally, transitional companies incorporated the players with marginal positions, which were less like the other members and could eventually try to move to another strategic group.

So theoretically, one would have to admit that, within strategic groups, it might be possible to have subgroups of companies that compete each other heavily. Obviously, this hypothesis does not invalidate that there were also other competitors from other strategic groups.

Peteraf and Shanley (1997) stressed the importance of the identity of strategic groups and their impact on competition. To these authors, the identity of the strategic groups was understood as the set of characteristics of the group identified by the managers, sufficiently recognised and considered by the members, conditioning the way individual companies act and perform. The greater the success of the major companies within a group, greater the tendency for the remaining players to imitate their behaviour, creating greater homogeneity in the way they act and strengthening the identity of the strategic group.

In this way, if a strategic group had a strong identity, it would predictably affect its way of action and the target segments of the various companies that composed it, leading to greater strategic similarity and greater uniformity in the type of customers to address.

On the other hand, a group with a weak identity, represented just an aggregation of companies acting individually, not collaborating. In this case, considering the heterogeneity of ways of action and potential market segments, these companies would be more exposed to competition from other strategic groups. In this situation, Leask and Parker (2007), verified that the strategic groups most vulnerable to competitors from other strategic groups, were subjected to greater rivalry and greater price wars, which clearly influenced its economic outcomes.

Other empirical studies (Bandura, 1986; Alphonse, Hart and Schendel, 1996), related to the theory of social learning, confirmed these behaviors.

According to Peteraf and Shanley (1997), the factors that contributed most to strengthening the identity of a group were:

- Having companies with high corporate success
- Geographical proximity among players
- Greater number of contacts in products' strategy development and markets, fostering collaboration instead rivalry
- Greater similarity in the internal resources used, which created greater similarity in the information and greater understanding of working processes
- Little business diversification, leading to less identification with other groups

Considering, therefore, the possibility of the existence of strategic groups with a higher level of performance, it must be considered the hypothesis of companies changing from a strategic group to another, as they are willing to establish identical strategies.

However, this possibility will depend on the access and realization of the variables that distinguish strategic groups with the highest level of performance.

Porter (1980) refers in his structure of industries' analysis model that there are six types of entry barriers, which constitute specific characteristics of each industry and which avoid with greater or lesser intensity the entry of new competitors: scale economies, product differentiation, change costs, cost advantages, access to distribution channels, capital needs e governmental policy.

While some barriers to entry protect most companies in some industries, the true degree of protection against new competitors will be associated to the inherent characteristics of the strategic group to which each company belongs. In fact, because strategic groups deal with varied competitive environments and present differences in strategic guidelines, the intensity of each type of entry barrier to new competitors differs in each group.

Thus, when we analyse entry barriers, considering the strategic group as a level of analysis, we verify that they should not only protect the company from competitors acting outside the industry, but also that they should reinforce barriers to the entry of companies acting in other strategic groups, the designated mobility barriers among strategic groups. Thus, mobility barriers between groups can be one of the main justifications for the different levels of performance in an industry.

According to Caves and Porter, (1977), the companies of strategic groups with higher mobility barriers, have a higher profit potential, because they avoid more easily entering companies from less attractive groups, that try to conquer positions in the most profitable groups. Inclusively, McGee and Thomas (1986) and McGee, Thomas and Pruett (1995), believe that barriers to mobility will be the most important variables for identifying strategic groups in an industry, which may fall into three categories: market-related strategies, industry supply characteristics and companies' characteristics.

According to the authors, market related strategic variables and industry' offer characteristics are barriers that can be surpassed over time, with progressive activity adaptation and appropriate financial resources' access, considering, therefore, the variables related to the companies characteristics that create the largest isolator mechanisms.

Still, some researchers have questioned that mobility barriers could be a strong explanation of the intra performance differences.

According to Baumol, Panzar and Willing (1982), when a company manages to obtain monopoly position, others try to copy the leader performance and there is a tendency for the above-mentioned profits to be divided by several players, reducing the profitability of all those involved in these competitive actions (Theory of the contested markets). Thus, when a certain strategic group manages to achieve higher performances, the companies of other groups try to enter in this favorable competitive position

Table 1. Mobility barriers' categories

Market-Related Strategies	Industry Supply Characteristics	Companies' Characteristics
Product line Used technologies Market segmentation Distribution channels Brands Geographic coverage Systems of vendas	Scale economies: - Production - Marketing - Administration Production processes Ability to R & D Marketing Systems Distribution Systems	Shareholder structure Organizational structure Control systems Management styles Limits to the levels of: - Diversification - Vertical integration Dimension Relationship with Groups of influence

Source: McGee and Thomas, 1986

in order to absorb some of these profits, which reduces the difficulty of overcoming mobility barriers. In sequence, performance tends to stabilize between the different groups.

Hatten and Hatten (1987), reported several examples of companies that, despite having very favorable competitive positions, due to mobility barriers of very strong new competitors, have seen their market share being contested by other companies. Such situations have illustrated that even the highly protected market positions could be put into question. Thus, in these cases, the theory of the contested markets was found in practice.

Still Hatten and Hatten (1987), drew attention to the fact that the mobility barriers protected with greater or lesser intensity, accordingly with companies' dimension: larger companies, entered more easily into small businesses groups than in niche markets, but the opposite situation doesn't happen so easily, due to the need for greater financial capacity that smaller companies did not have.

Mascarenhas and Aaker (1989a), studied the oil extraction industry and failed to obtain empirical evidence that the groups with greater mobility barriers, were those who presented higher profitability levels.

It can therefore be considered that the concept of strategic groups introduced by Hunt in 1972 and the subsequent significant work carried out by countless authors, has greatly contributed to the development of knowledge in the context of the business strategy, highlighting its importance in explaining different performances within an industry and in analysing competition, easing decision-making by managers in relation to the companies' strategic orientations.

Competitive Groups

The knowledge from studies within an industry strategic group can support decision-making of strategic nature, but, as some researchers have stressed (Cunningham and Culligan, 1988; Porac, Thomas & Baden-Fuller, 1989; Porac, & Thomas, 1990; Bogner & Thomas, 1993; Porac et al., 1995; Peteraf, & Shanley, 1997), only allows to answer the question: within an industry, which companies compete similarly?

However, knowing who competes more directly may imply consideration of other dimensions. In this sense, Grisprud and Gronhaug (1985), Porac, Thomas and Emme (1987) Porac et al. (1989), Cunningham and Culligan (1988), used the concept of competitive groups to identify the most direct competitors, intending to answer the following question: within an industry, which companies competed directly in the same markets with identical products?

In this way, these researchers clearly distinguish the concept of strategic groups, considering it associated with the existence of similar companies in their form of action, from the concept of competitive groups, consisting of companies with a high level of competition in markets and products, thus admitting that within a strategic group there may be companies that do not compete with each other and inversely within groups with a high level of direct competition there may be companies from different strategic groups.

However, for the identification of the group of companies competing strongly among themselves, that is, acting in the same markets with the same type of products, the use of different methodologies (Alka & López, 2001) is verified. Some authors (lawless & Anderson, 1996; Ruíz & Iglesias, 1997; Leask & Parker, 2007) use objective data, essentially on the product – markets strategy, to define companies that compete more strongly among themselves, through clusters analysis. Others (Cunningham & Culligan, 1988; Porac et al., 1989; Porac & Thomas, 1990; Bogner & Thomas, 1993; Porac et al., 1995; Peteraf, the & Shanley, 1997) understand that such identification is essential to be based on the managers' opinion, because they are those who formulate mental models about business and the company environment, creating references from the main competitors, monitoring their performance in the market, the resources they use and the skills they develop, trying to imitate their behavior or anticipate their actions. They therefore develop a thorough knowledge of their activity, which is sometimes not accessible to researchers. Even, some authors (Vázquez, 1991; Hodgkinson, Tomes & Padmore, 1996), identified competitive groups based on consumer opinion. It should be noted that in a study developed by Bigné and López (2002), when they sought to verify the conformity of opinion between managers and consumers regarding the establishment of competitive groups, concluded that there were quite different points of view.

To identify competitive groups in a cognitive way Alcañiz and López (2001) refer the following methodologies used in different studies:

- Classification of competitor categories: managers give their opinion on the groups of companies that compete heavily and indicate in which group their organization is included;
- Competitor evaluation: the managers are questioned about a list of competitive dimensions, and subsequently grouped the companies that compete most among themselves, through statistical techniques, which highlights clusters analysis;
- Analysts ' opinion: after questioning the managers and specialists of a sector on the most important competitive variables, they identify companies with a higher level of competitive rivalry, also through clusters analysis.

In the work developed in 1990, Porac and Thomas thoroughly characterized the mental model of managers on identification of direct competitors. They argued that the categorization of competitors went through a 5-step process:

- The managers started by developing cognitive taxonomies that summarized similarities and differences among companies
- They define their companies considering the most characteristic features of reference competitors
- They organized the information and attempted to conduct a categorization of the various competitors
- They framed the company in a given category, recognizing the competitors in this group as direct ones
- Any changes in the competitive context produced new competitive analysis, restarting categorization cycle, in order to identify the direct competitors

One of the first studies identified, regarding the establishment of competitive groups based on cognitive processes, was elaborated by Cunningham and Culligan (1988). They focused on the UK companies in the information technology sector, where tried to discover, through interviews of the managers, the direct competitors based on information on the panoply of products, markets and marketing channels.

Also Porac et al. (1989), in the study on the Scottish textile industry, refer that competitive groups should be defined cognitively, that is, based on managers' opinion and their knowledge of the other players, relatively to similarities and differences. In this sense, for these researchers, the notion of competitive groups went through the following definition: groups of companies competing for the same markets with similar offer (they dominated identical production technologies, making their products replaceable among themselves).

Meanwhile, several studies have been developed refering competitive groups of companies, however, with different objectives.

Reger and Huff (1993) and Leask and Parker (2007) conducted studies comparing the results obtained in relation to the strategic groups and the competitive groups.

In Reger and Huff's study (1993), the first, were formed considering the information about strategies implemented by the companies, while the seconds were identified through managers interviews about competitors. They found that the vast majority of companies in each strategic group divided itself into subgroups of direct competitors. They also verified that some of these subgroups were simultaneously integrating companies from different strategic groups, which meant that they were in the same segments with different strategies, affecting the levels of rivalry and, consequently, the potential profitability.

The study by Leask and Parker (2007), observed the existence of strategic and competitive groups within the British pharmaceutical industry, having reached the following conclusions:

- Companies included in the same strategic and competitive groups (most of the data): implemented similar strategies and acted in identical segments. Although competing for the markets, there were opportunities for cooperation and less propensity for price wars, which honed overall profitability
- Companies included in the same competitive group but from different strategic groups: implemented different strategies but acted in identical segments. In these cases, there was more rivalry and higher odds of price wars, which generated high competition costs and consequently lower profits
- Companies included in the same strategic groups, but which were part of different competitive groups: implemented similar strategies but acted in different segments. As such, there was also a propensity for greater collaboration through resource sharing or optimization of complementary product sales
- Companies that were in different strategic and competitive groups: implemented different strategies and acted in markets that were not occupied by the remaining competitors. Companies that applied the focus strategy were included here, i.e. investing in niche markets to escape competition from the remaining players

The study developed by Lawless and Anderson (1996) must also be referred, which sought to verify intra and inter competitive groups' performance differences, concluding that the best companies within each niche of competitors were the ones with the greatest differentiation, that similarity generated greater competition within groups and that competitors' stability in groups' structure favored financial performance.

On the other hand, Peteraf and Shanley (1997) deduced that a strategic group with weak identity represented just a companies' aggregation acting individually, without relationship. In this case, the number of different groups of competitors within each strategic group would tend to be greater, because of the heterogeneity of action and potential market segments, and these companies were more exposed to competition from other strategic groups.

Thus, it can be considered that the development of studies under the concept of competitive groups, in addition to allowing to identify companies that strongly compete among themselves by the same products – markets segments, contributes alongside the concept of strategic groups for a deeper industry analysis.

RESOURCE-BASED THEORY

The Concepts of Resources, Capabilities and Competencies

As previously mentioned, business strategies can be based on the company's internal resources, capacities and competencies, seeking to offer the market different competitive solutions and, therefore, lasting competitive advantages. Resources, capacities and competencies are, thus, central concepts in this approach that have been widely discussed since mid-80's which may be mixed-up or unclear.

For Grant (1991) resources can be defined as assets that can be easily identifiable (tangible resources) or not clearly observable and quantified (intangible resources) and that are, somehow Linked to the company. Barney (1991) defines 3 main categories: physical resources, such as facilities and equipment, human resources, covering all the company employees and top managers and organizational resources, formed by the norms and routines that coordinate physical and human resources in a productive way.

Freire (1998) identifies resources such as material assets (machinery, land, etc.), financial (asset liquidity, profitability, solvency capacity before creditors and the ability to obtain new funds), human (current and potential) and organizational (reputation, notoriety, innovation capacity, commercial partnerships, access to privileged information, etc.), that the company can combine in developing its activity.

Within the scope of the business sciences, the combination of resources to develop an activity is generally attributed to the concept of capabilities (Barney, 1991).

The concept of competences usually refers to the capacity that an organization has to sustain the coordinated combination of resources in order to achieve its purposes (Heene & Sanchez, 1997).

Prahalad and Hamel (1990) e Wernerfelt (1984) e Barney (1995), define core competencies as internal resources, which distinguish the company from its competitors.

Wernerfelt (1984, pp. 172), defines resource as "anything that can be thought of as a strong point or a weakness of a given company". According to this idea, a company obtains competitive advantages if it manages to acquire or develop superior resources or combination of resources better than its direct competitors. Teece, Pisano and Suen (1997), define resources as a company-specific asset difficult, if not impossible, to replicate, approaching the core competencies' definition given by Prahalad and Hamel (1990) and referred to by Wernerfelt (1984) and Barney (1995).

For these authors, central competences represent the collective learning capacity of an organization, that coordinates different knowledge and integrates multiple technologies, allowing to add value to its customer. Thus, the core competencies are directly related to know-how and communication capacity, involvement and commitment throughout the organization (hierarchical levels and functional areas), which favors value creation in products and services.

Barney (1995), considers that core competencies are associated with intangible assets (e.g. notoriety, brand image, skilled human resources or more efficient work processes) that can be valued through its application as part of the activity development, generating business opportunities in new markets and achieving the best operational practices at all hierarchical levels and functional areas. Incidentally, Kaplan and Norton (2004) observes that, on average, about 75% of the market value of listed companies in the capital markets is represented by intangible assets. That is, there is a wide variety of important resources that are not reflected in the accounting data.

Barney (1991), proposes four tests to determine which resources represent core competencies: value (should greatly contribute to creating customer value compared with other competitors ' offer); rarity (should be seen as unique by other players); imitation difficulty (competitors are unable to imitate them without high investment costs); markets access (should provide potential access to new markets).

Already Peteraf (1993), refers, in addition to the rarity and inimitability, the sustainability requirements of the - Must be durable over time, guaranteeing a supra-abnormal yield throughout the exercises - and property control - the company must control or have easy access to its acquisition, creating a privileged position against remaining competitors, that cannot acquire it or will have higher cost in their acquisition.

Thus, a company' resources (materials, financial and other intangible, namely human, informational and organisational) should be the assets that may be used. Its integration and alignment with the strategy, is what will allow know-how better than the competition, constitute strong core competences in the working processes and sustainable competitive advantages within the industry. Due to its characteristics, intangible assets play a relevant role in ensuring differentiation and business success.

Resource-Based Theory: Some Contributions

As previously mentioned, the explanation of performance can be fundamentally found in companies' actions and its resources' use in creating sustainable competitive advantages over their competitors, this being the premise of the resource-based theory.

Although the resource-based theory has had its development from the mid-80's onwards, authors may be found that, much earlier, drew attention to the importance of internal resources for the activity' sucess.

In 1959, Penrose (cited in Kor & Mahoney, 2004) spoke of the importance to the success that managers' business knowledge represented, as well as the knowledge developed and shared by work teams, supporting the need for continuous development of employees, of human resource practices' culture and incentive systems, that privileged market needs and innovation in responsiveness. Thus, emerged the isolator mechanisms designated by Rumelt and Wensley (1981) and Rumelt (1984) whose concept is associated with the company characteristics, such as financial capacity, reputation, customer loyalty and preferential access to market channels, that would allow sustainable creation of competitive advantages over competitors. This would result in financial surpluses that would allow expansion and diversification, with a continuous adequacy of the company's capacities when facing challenges.

Montgomery and Wernerfelt (1988) and Markides and Williamson (1994) also verified that diversification of related businesses allowed know-how capitalization of accumulated insulators mechanisms, creating diverse exploration synergies and optimising the performance.

Also, Richardson (1972) considered the relevant dimension, defended that was the unique knowledge in certain resources, that allowed greater market penetration capacity, what meets the theory of the Schumpeterian rents, based on resources that generate returns above the opportunity costs, thus contributing to this theory being highlighted in strategy concepts.

From the decade of 1980, the resources-based theory was affirmed by counterposition to the Porterian approach of strategic positioning. Counterpoint to the determinism of the environment, the works of Wernerfelt (1984) and Rumelt (1984) highlighted the distinctive capacities' importance based on internal resources for the construction of the competitive advantages. In this regard, Barney (1986) noted that the analysis of the competitive context would not be the primordial factor to ensure the achievement of supra-abnormal profits, since this information was public domain and therefore all competitors would be able to react identically to the challenges posed by the environment. Thus, it would be the internal resources' analysis, clearly identifying the distinctive capacities against competitors, that would allow companies to achieve success.

In this same sense, the central competences defined by Prahalad and Hamel (1990), that represent the strengths of the internal resources that most distinguish a company from competition in satisfying customers' needs, are de mean by which companies develop their competitive critical products or services, from which the business will be developed.

On the other hand, Prahalad and Hamel (1990) and Bogner, Thomas and McGee (1999), report that this integration between core competencies, critical products and competitive advantages depends fundamentally on resources with a high degree of subjectivity, quality and managers' vision, ability to create, sharing and knowledge application in the organization, highlighting the role of human resources and organisational communication as alignment motors of working processes. However, as Lippman and Mahoney (2003) observe, these resources are not able to easily value and cannot be purchased on the market, since they are developed in organizations over the years, accumulating unique specific knowledge on the undertaken activities and the various business stakeholders.

Also, in this sense, Mahoney (2001) mentions a certain relationship between resource-based theory and transaction cost theory, since it is the investments in specific assets that develop unique competences and sustainable competitive advantages, little accessible, avoiding opportunistic imitation behaviors by competitors.

Kaplan and Norton in its various works (2004), also incorporate the importance of intangible assets for the development of the Balanced Scorecard. For these authors, the foundation of business success is the management that companies can make of their human capital (workers' skills and experience), of its information capital (systems, networks and infrastructures) and its organisational capital (leadership, culture, teamwork). It is the management of the so-called intangible assets that allows to create distinctive competences in internal work processes and competitive advantages in the face of competition in customer satisfaction, leading to better financial performance, either at activity growth or investments profitability, for which there is a need to ensure adequate monitoring and corresponding actions for continuous improvement.

Indeed, in the face of the turbulent context of timeliness, where change is continuous, unforeseen and often imperceptible, companies are obliged to constantly adjust their competences and their offer. More than sell at competitive prices, online with low operating costs, it is important to do better and create value for customers and other business partners (Nelson, 1991).

So, Dierickx and Cool (1989) report that the sustainability of a company is in the accumulation capacity of the most important resources, that enable the creation of core competences and who cannot be replaced or imitated by competitors. In this sense, Teece and Pisano (1994), introducing the concept of dynamic capacities, advocate that successful companies are those who manage to give a faster response to the market, by means of constant offer' innovations, as consequence of ccontinuous competences and internal resources adequacy. In fact, as the time goes by, the threat of imitations by competitors will tend to occur and to stress acquired competitive advantages, if companies show inability to find new proposals for the market. For Thompson and Strickland (1999), the process of creating and eroding competitive advantages is a three-phase process: the construction phase through strategic movements; the benefit phase while competitors do not replicate and the erosion phase when the imitation and competitor attacks diminish the possible income.

Kogut and Zander (1992) emphasize the importance of business development and the renewal of competitive advantages not only based on the replication of past competences, since it will make competitive behavior more predictable and facilitate imitation by competitors. In that sequence of ideas, Teece and

Pisano (1994), created a model for assessing the sustainability of the companies' competitive advantages, which is based on the ability to imitate skills and the capacity to protect know-how.

Following the same logic, Helfat and Peteraf (2003) consider that the life cycle of competencies depends on the intensity of its use and the volume of activity generated through them. The defined model is especially important to emphasize the focus on the renewals of internal resources in order to support core competencies and competitive advantages.

Thus, according to the representation in the preceding figure, the cyclical renewal of core competences allows for the sustainability of competitive advantages and the creation of financial surpluses. Through these, the company may continue to expand its business and explore opportunities into new ones, while continuing to optimize the use of its resources and profitability (Mahoney & Pandian, 1992; Teece et al., 1997).

Also, in a resource-based theory context, several empirical studies have been developed, divided into the following research currents:

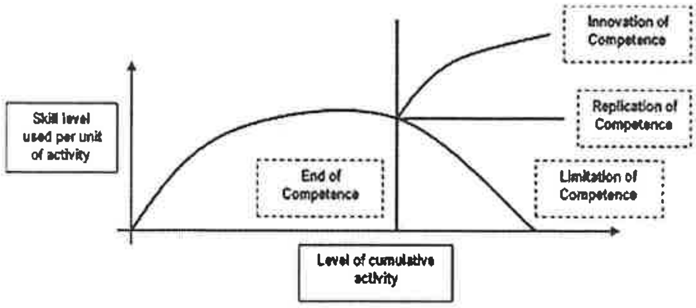
- Confronting industries' characteristics with companies' specificities, to see if performance is more influenced by the industry structure or by each company resources and competencies (Rumelt, 1991; McGahan & Porter, 1997; McGahan & Porter, 2002; Mcnamara, Aime and Vaaler, 2005)
- Relationships analysis between strategic groups and companies within the same group, In order to verify whether it is inter-or intra-group rivalry that allows a better explanation of performance variability, in the latter case explained by the companies' development capacity of distinctive competences based on their resources (Cool & Schendel, 1988; Lawless et al., 1989; Cool & Dierickx, 1993; Mcnamara et al., 2002; Short et al., 2002; Short et al., 2007)

Table 2. Model for assessing the sustainability of competitive advantages

		Ability to Imitate Skills	
		Strong	**Weak**
Protection Capacity of Know-How	**Weak**	Weak competitive advantages	Moderated Competitive advantages
	Strong	Moderated Competitive advantages	Strong competitive advantages

Source: Adapted from Teece and Pisano, 1994

Figure 1. Model of the life cycle of corporate competences
Source: Adapted from Helfat and Peteraf, 2003



- Similarity effect among companies' analysis, to verify if the unique characteristics of each competitor positively influence performance (Marlin, Hoffman & Lamont, 1994; Lawless & Anderson, 1996; Gimeno & Woo, 1996; Young et al., 1997; Young et al., 2000)
- Relationship between resources and competitive advantages' analysis, to highlight the most important internal capacities in creating higher competitive positions (White, 1986; Agus & Sagir, 2001; Clarke & Machado, 2006; Strandskov, 2006; Chen, Lin & Chang, 2009)
- Relationship between resources and performance' analysis, to observe which resources have the greatest impact on business performance (Hansen & Wernerfelt, 1989; Davis & Thomas, 1993; Markides & Williamson, 1994; Ray et al., 2004; Chan, Shaffer & Snape, 2004; Leask, 2004; Bogner & Bansal, 2007)
- Relationship between dynamic capacities and performance' analysis, to prove the importance of organizational learning on competitive advantages and performance' sustainability (Levinthal & Myatt, 1994; Barnett, Greve & Park, 1994; Karim & Mitchell, 2000).

The resource-based theory has, thus, the merit of drawing attention to the importance of strategic analysis, focusing on the company's internal conditions. Conner (1991), calls it even the company theory.

Faced with the foregoing, it can be concluded that the resources-based theory is essentially concerned with studying two very important issues that influence companies' success (Makadok, 2001):

- Which resources enable strong competitive creation skills and advantages when facing competitors
- How to ensure competitive advantages' sustainability creation through internal resources

COMPLEMENTARITY BETWEEN STRATEGIC POSITIONING AND RESOURCE-BASED THEORY

Each organization has specific resources and unique competencies that condition their activity and their market presentation. However, as Barney and Zajac (1994) refer, the strategic analysis should integrate positioning and resources, making them complementary. Both are fundamental to achieve organizations' success, because they provide instruments that allow to optimize the competitive context analysis and, at the same time, the company's internal resources' capacities analysis.

From the perspective of strategic positioning, as previously mentioned, companies' performance can be determined by the industry intrinsic characteristics, the group in which it is included, and its own action to react to the context.

In relation to the industry, as recommended by Porter in his model of the 5 strengths, there is a general competitive environment that influences all companies within a industry. However, taking into account that each strategic group is characterised by specific competitive environments, there are different opportunities and investment needs among the groups, with direct impact on the potential results of the companies that constitute them (McNamara et al., 2002). Dranove et al. (1998) give as examples of causes of performance differences, the fact that there are groups with greater negotiating power with suppliers and customers, less subject to the pressure of substitute products and new inputs' threats. These circumstances regularly generate different performances between strategic groups and a relative performance homogeneity within groups (Caves & Porter, 1977). In addition, the mobility barriers created among groups also contribute to these inter performance differences (Porter, 1980).

On the other hand, still in the context of strategic positioning, other researchers (Porac et al., 1989; Bogner, 1991) draw attention for the competitive groups' establishment to explain performance, in relation to greater or lesser rivalry in the same market, complementing the strategic groups vision.

Leask and Parker (2007) in the work developed on the British pharmaceutical industry demonstrated, simultaneously, the strategic and competitive groups' study importance allowing to better explain how rivalry can influence business performance. This is because both methodologies allow to verify the similarities among companies at the strategies level and market segments where they compete. Thus, according to the authors, the bigger the similarity of the target segments and competitors' strategic heterogeneity, the greater will tend to be rivalry, since different cost and asset structures will provide the probability of price wars and advertising campaigns, diminishing potential company's profitability. This meets Peteraf and Shanley (1997) deductions on strategic groups' identity, in which they advocate that the greater the strategic heterogeneity and consequently the lower the group identity, the greater propensity for several types (groups) of competitors, for more rivalry and less collaboration in the construction of mobility barriers to competitors of other strategic groups. Thus, in less identity groups, performance tends to be worse, due to both greater internal competition and greater fragility, compared to competitors from other strategic groups.

In this context, the company's behavior results from environment reactions', both within the industry and within the groups to which it belongs.

The resource-based theory argues that companies' performance is determined by the unique resources and capacities developed in order to make unique offer proposals valued by the market. Thus, ideally, managers should optimise those resources that create value, are rare and non-substitutable, in order to generate strategies that can hardly be copied by current and future competitors. The accumulation of these resources will generate barriers to competitors and strong competitive position (Short et al., 2002).

That said, there are two distinct visions from strategies' perspective to achieve performance:

- In strategic positioning, the performance is fundamentally influenced by the different competitive contexts confronted by the group
- In resource-based theory is the development of unique capacities that allows companies to gain competitive advantages relatively to competitors. As such, performance differences are mainly related to the company's internal conditions

However, it is understood that both visions complement each other and, together, can better explain the performance variations in companies in the same industry.

The resource-based theory adopts a "pre-strategy" position, analyzing and inventorying the resources and competences that a company coordinates and converts into effective strategies. In contrast, the strategic and competitive groups adopt a "post-strategy" position, providing a strategy' vision implemented by companies, classifying them into groups according to their strategic guidelines. Linking the two visions, we can better understand resource-based theory companies and how they employ their resources-strategic positioning (Leask & Parnell, 2005).

Leask and Parnell (2005) identify two key factors linking the two research currents:

- The development of unique resources and competencies allows the creation of strong competitive positions, enabling mobility barriers, intrinsically linked to strategic groups;
- The analysis of existing company resources', guides managers to define strengths and weaknesses of the organization. So, market perception and resource dynamics development guide managers trough competition, generating strategic orientations that will be fundamental in the definition of strategic groups.

Peteraf and Bergen (2003) integrating a positioning and internal analysis logic of resources, developed an instrument for the identification of competitors. Thus, competitiveness level among companies will tend to be higher when, in addition to market segments similarity, there is a resources and skills developed with a high similarity.

In this sense, Porac et al. (1989), Reger and Huff (1993) and Peteraf and Shanley (1997) described that companies within strategic groups compare mainly with identical companies within the same group and try to observe the possible means to distinguish from them. In this regard, Fiegenbaum and Thomas (1995) verified that companies use their strategic group as a benchmark to perform benchmarking regarding their competitors.

In this way, these arguments suggest that companies focus more on their competitive position within the group and are more responsive to the actions of competitors in their group than to the actions of companies from other groups. As such, the rivalry indices within the group may be greater than those outside of it (McNamara et al., 2002). Cool and Dierickx (1993) confirmed this, studying the pharmaceutical industry' rivalry within the groups, which was more intense than among strategic groups, because companies often invaded each other's market segments.

So, there is a possibility of performance not only explain the differences inter but also intra strategic. If competitive groups can make a strong contribution to the explanation of inter and intra strategic differences, because the performance can be conditioned by greater or lesser rivalry resulting from performance in the same market with similar products, the resources-based theory may contribute to the explanation of the intra strategic differences, because companies able to develop distinctive competencies based on their resources, will create strong competitive positions within the group, avoiding rivalry and, consequently, will achieve better performances (Rumelt, 1984).

Thus, performance can be explained through analysis, not only of companies with similar strategies (strategic groups) and those competing among themselves (competitive groups), but also of competitive advantages based and developed through resources (Resource-based theory).

Table 3. Competitor Identification model

		Equivalence of Competencies	
		Weak	**Strong**
Correspondence of Market Segments Served	**Yes**	Vertical competitors	Direct competitors
	No	Non-competitors	Potential competitors

Source: Adapted from Peteraf and Bergen, 2003

STRATEGY CHOICE: STRATEGIC DIMENSIONS AND TYPOLOGIES

Regardless the support bases for its formulation, organizations' strategic actions will necessarily pass through business, products and markets decisions, and way of competition. That is, after defining its strategic objectives, each organization will have to decide, among several strategic alternatives, which best suit the defined purposes and which should clearly answer two key questions (Grant, 2005): where and how should the company compete.

This issue leads us to two levels of strategic decision: company and business level. Decisions such as portfolio diversity and composition are taken at the company level. The diversification strategy which may or not be related to existing business (Freire, 1998; Grant, 2005;) results from the company's demand, in exploring new areas of action through entry into other industries and refers to the choice of Where Compete. The form How it decides to compete lies at the level of each business. Several strategy typologies have been presented, supported by different dimensions. Based on the choices of products and markets, Ansoff (1984), for instance, presents growth modalities:

- **Market Penetration:** Aims to increase turnover with the same products for the same market;
- **Product Extension:** Aims to serve the same market with a wider range of products;
- **Market Extension:** Intends to serve new markets with the same range of products.

Not distinguishing decision levels, it also adds diversification strategy to extend the scope of product range and to cover new markets.

It should be noted that business diversification is clearly distinguished from the mere expansion of the product– markets matrix, because the new activity sector, where the company intends to act, can present different and specific critical success factors (Rumelt, 1977).

Still considering the same perspective, Martinet (1989) relates the development of the product– markets matrix with the variable technology, that he very much considers in strategic analysis, because of constant technological innovations arisen recently. According to the author, companies may have two orientation types conditioning its progress:

- **Product Orientation:** Companies have specific technological competences perfectly dominated which greatly contribute to their economic performance. They will therefore seek to extend markets through the products they manufacture with unique competences;
- **Technology Guidance:** Companies have wider technological competences, Having the opportunity to associate their progress to the use of these technical knowledge in the development of new products. So, as long as there are available financial resources, they can extend their product range and markets.

Not despising the product and market dimensions, Miles and Snow (1978), created a typology of business behavior against competition:

- **Prospectors:** Companies that try to always be at the innovation forefront, looking for new market opportunities, creating reference products;

- **Analysts:** Companies acting on the basis of the monitoring the prospector's competitive movements, trying to set their options relative to the products – markets matrix based on the experience of previous competitors;
- **Defenders:** Companies that have their action in terms of products – markets clearly defined, focusing its activity on the target segments;
- **Reactors:** Companies that have no capacity to conveniently monitor the context and are limited to occupying spaces in the proximity markets with less expression.

However, generic strategies typology presented by Porter (1980) is an important reference in the literature, due to its wide dissemination[1]. The leadership strategies in costs and differentiation indicate the value proposition that companies present to the market. In a strategy of differentiation, the company proposes to present products with different attributes, and practice a Premium price. In a cost leadership strategy, the aim is to achieve lower costs than competition, and possibly present more competitive prices. Considering that the company may be interested in specialising (in a specific product or in a cost leadership strategy market segment), it may opt for a specialization strategy with differentiation or with costs leadership.

One of the issues that has been subject of discussion is whether it would be possible to combine strategies. To what extent the differentiation strategy that requires investments to create and maintain unique specificities, is compatible with costs leadership.

Although Porter (1980) has acknowledged the difficulty of its conjugation and has called attention to the dangers of its implementation, is recognized today that, in certain circumstances, the combined strategy can succeed, as is the case of activities with a strong technological evolution in which it is possible to lower production costs and improve the product (Laudon & Laudon, 2002). Thus, with the development of operational practices (automation, just in time, quality management, information technology, etc.) there has been an effort from successful companies to gain competitive advantages in differentiating and simultaneously leading costs.

As such, assuming that companies should develop levels of differentiation and cost leadership to achieve success, Hill and Jones (1995) argue that the sources of competitive advantage (of one type or another) can be grouped into four general factors, reflecting the company's ability to better apply its resources than competition in value creation to customers: efficiency, quality, innovation and suitability.

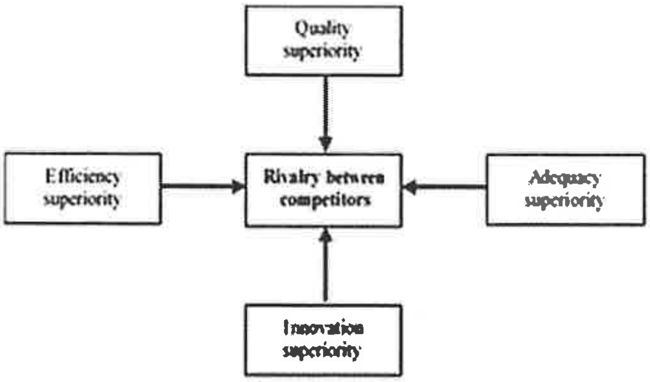
Efficiency is measured by the company's ability to generate higher levels of productivity with its resources. Quality is measured by the reliability degree of supply, as innovation, is measured by the company's ability to be pioneer in introducing new products that become a benchmark. Finally, as regards adequacy, competitive advantage is achieved through the ability to generate an offer according to customers' needs.

After defining the products, the market segments and the adoption of competitive advantages, it is necessary to identify the respective operational chains to be carried out internally or to subcontract, that is, to determine the level of vertical integration.

In this sense, Porter (1985) argued that the activities directly related to the core business and which contribute to a strong strategic positioning, should be executed internally.

Therefore, the company may choose to integrate some upstream or downstream functions into the operational chain of the business. However, it only makes sense to increase the level of vertical integration if (Martinet, 1989):

Figure 2. General sources of competitive advantages
Source: Adapted from Hill and Jones, 1995



- The increase in the internalized activity generates enough turnover for the company
- The remaining company functions benefit from the activity internalization, even if this is not profitable. For example, a company may want to ensure the supply of certain raw materials to ensure the customer the product quality

In a globalization context, the geographic space of action plays a decisive role in the entrepreneurial strategies. Internationalization has been essentially levered due to two factors (Knight & Cavusgil, 2004): markets and economies' globalization, which provided greater homogeneity of consumer preferences around the world, making global business implementation easier, by simplifying production and positions to be adopted in different markets; technological innovations in information and communication, of the production methods, of logistics and transport, that greatly reduced the costs of trade and favored the increase in international turnover.

Thus, irrespective of the generic strategic options, companies' internationalization is a matter of the greatest importance, that has aroused in the last decades intense and diverse reflections in literature. Not intending to do an extensive review of the existing literature, it is not unnecessary to mention the important contribution it can make to business' success. This contribution may occur, according to Freire (1998) through the capitalization of core competencies and competitive advantages developed over time in domestic markets; of obtaining localization economies through greater ease of access to raw materials or cheaper production factors and the increase in scale economies and experience through turnover growth in more attractive markets, decreasing unitary production cost.

Internationalization can produce viable businesses that would otherwise not survive trussed up by national borders. However, internationalization processes can be slow and difficult, involving some substantial resources. Nevertheless, it cannot be said that there are unique ways of achieving it, depending on activity, on the company's characteristics and available resources.

Several authors (Johanson & Wiedersheim-Paul, 1975; Johanson &-Vahlne, 1977; Bilkey & Tesar, 1977; Cavusgli, 1980; Reid, 1981; Czinkota, 1982; Andersen, 1992), having as reference the internationalization modalities (transactions, direct investment and projects), describe companies internationalization process by stages, according to the markets knowledge and the ability to allocate resources in these markets, successively passing from domestic phase, to independent local representatives, to commercial subsidiaries and subsidiaries with all activities.

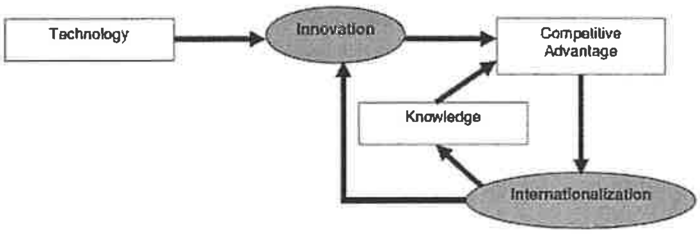
However, in recent years, many companies have been internationalized shortly after their creation, putting into question the internationalization models through steps, developed by Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977), giving rise to the concept of Born Global firms. These companies presented a common feature: strong competitive advantages in innovation (Filipescu, 2006). Thus, studies on the relationship between internationalization and innovation have been addressed in two perspectives:

- International performance of countries and industries, which evidenced that technological innovation plays a key role in the internationalization capacity. Because the technology gap among countries is a competitive advantage for those in the most favorable position, contributing to the internationalization of its industries and companies (for example, Boitani & Ciciotti, 1992; Meliciani & Pianta, 1995; Archibugi, Ceccagnoli & Palma, 1996);
- International companies' performance, to assess the impact of innovation capacity on the internationalization probability and intensity. Several studies have confirmed that there is a strong correlation between innovation and internationalization: for example, Melle and Raymond (2001); Eusebius and Rialp (2002), Filipescu (2006) and Kafouros, Buckley, Sharp and Wang (2008). However, other studies showed no relation between the variables: for example, Alonso and Danoso (1998), Sterlacchini (1999) and Valenzuela (2000). Filipescu, Rialp and Rialp (2009), Justify the less positive results by the fact that in most of these studies innovation is measured by the capitalized expenditure of research and development. Many companies, medium and small ones in particular, choose to account for these values as operating costs.

As Filipescu refers et al. (2009), progressive internationalization will also allow deeper knowledge of destination markets and their specificities, contributing to the implementation of a continuous improvement logic and the ever-increasing adequacy of supply to consumers' needs. Therefore, we can affirm that there is a relationship of cause and effect between innovation and internationalization, conditioning each other over time, as represented in the following figure.

This close relationship between innovation capacity and internationalization exists, once countries, industries or companies, able to present this competitive advantage, will have the ease of, through their unique know-how, addressing markets with new solutions, creating true references in their area.

Figure 3. Relationship between innovation and internationalization
Source: Adapted from Filipescu, 2006



STRATEGIES AND PERFORMANCE ASSESSMENT

The fundamental goal of business strategies is to build competitive advantages to obtain the necessary resources for profitability survival over time. The strategies' success depends on the achieved performance following the strategic options.

The relationship between strategies and performance has been object of attention in literature, because the purpose of verifying the options that tend to produce better results is largely pursued.

For example, diversifying business can have a positive impact on the overall performance of the company, or on the contrary, tends to create results reduction?

This is a question that some work has sought to answer.

In 1952, Harry Markowitz published an innovative theory that came to be denominated by portfolio theory, emphasing the role of risk and the importance of diversification in decision-making. Created for portfolio management of financial assets, The Markowitz model was adapted to the management of the business portfolio, combining risk with expected profitability. Thus, assuming that investors do not have the sole objective of maximising their income, but take into account the risk, they tend to disperse their investment by different businesses, in the conviction that diversifying could reduce investment' risk. This would be achieved through investments in assets that had a smaller or even negative correlation between themselves (possible assets' losses would be compensated with other assets' gains in since they had opposite evolutions). Consequently, diversification reduced the variability of the expected profitability.

However, some studies concluded that diversification (especially unrelated) has a negative correlation with performance (for example, Rumelt, 1974 and 1977; Montgomery, 1985; Montgomery & Wernerfelt, 1988; Lins & Servaes, 2002; Shoar, 2002; Liebenberg & Sommer, 2008). One of the explanations of this negative correlation is found in the agency's theory, in which the conflict of interest between managers and owners, resulting from access to privileged information by the first can lead them to diversify the activity in order to minimize risk, guaranteeing their survival, relegating value creation. Therefore, their participation in capital or the existence of incentive plans based on achieving objectives, were suggestions to ensure the creation of value (Jensen & Meckling, 1976).

In coherence with the agency's theory, several studies showed that companies that carried out acquisitions with the objective of diversifying the activity had negative results before the operation, which showed a possible attempt to conceal Losses (for example, Hall, 1995; Matsusaka, 2001; Bowen & Wiersema, 2005).

However, the relationship between organizational performance and diversification is not necessarily negative. As the resource-based theory defends, creating unique competences promotes sustainable competitive advantages (Wernerfelt, 1984 and Barney, 1991) and as such, diversification can contribute to companies' success by guaranteeing the acquisition of unique and valuable resources or optimizing the use of the core competencies that the company already dominates (Markides & Williamson, 1996; Piscitello, 2004). Therefore, several studies (for example, Rumelt, 1974, 1977 and 1982; Lubatkin & Chatterjee, 1994; Berger & Ofek, 1995) observed that related diversification can further enhance performance than unrelated diversification or a single business strategy.

Montgomery (1994), drew attention that in practice, business diversification strategies have not always been well succeeded. This may be due to the lack of planning, with business diversification strategy outlined without measurement of the real impact of the decision at the financial risk level and expected profitability.

In conclusion, the diversification strategy, although it contains risk factors, may play a relevant role in business success, either through the creation of synergies between related businesses or by optimising financial risk through penetration into unrelated business.

Integrating the strategies of business diversification and vertical Integration, Rumelt (1977), conducted a study which became a reference, to explain the companies' performance, considering the related or unrelated diversification and sharing level of central and resource competences between businesses.

In addition to simple identification and counting of economic activity codes of each business in which the company operates, its diversification level depends, above all, of the intensity with which is present in little related business, that require different development competences and resources. For example, a company that is present in businesses belonging to the same value chain, predictably presents a lower diversification than another that acts in businesses belonging to completely different industries. In this case, the creation of exploitation synergies will be considerably lower and require managers to be able to manage a greater diversity of techniques and poorly related resources.

In view of the degree of vertical integration and the type of existing connection, about the techniques and resources used between businesses where companies acted, Rumelt (1977) defined the categories of levels of business diversification, as shown in table 4.

As far as performance differences are concerned, Rumelt found that, firstly, companies with the best financial performance were those who acted in business that shared the same resources and competences (category 5); secondly, came companies that acted in a main business and in business that shared the same resources and competences (category 3) and companies that acted in business that did not share the same resources and competences (category 6). Companies with the worst performance were those who acted in a main business and in its value chain (Category 2) and those with concentrated activity but who acted in unrelated businesses (category 7). In this way, it showed that the exploitation of synergies were very important, penalizing, in contrast, the effects of mono product/Vertical integration (category 2) and diversification (category 7).

Table 4. Categories of business diversification levels

Categories	Business Characteristics of Each Category
1. Companies with a single business	More than 90% of sales volume is based on a single core business
2. Companies acting in a core business and in their value chain	More than 70% of the sales volume is based on a single business or value chain of this core business
3. Companies acting in a core business and in business that share the same resources and competencies	More than 70% of the sales volume is based on a core business and the remaining activity is done in related business (share the same resources and competencies)
4. Companies acting in a core business and in business that do not share the same resources and competencies	More than 70% of the sales volume is based on a single business and the rest of the activity is in unrelated business
5. Companies that operate in business that share the same resources and competencies	The sales volume of the main business does not reach 70% but, the remaining activity is based on businesses that use the same type of resources and competencies
6. Companies acting in business that do not share the same resources and competencies	Less than 70% of the sales volume is based on a single business and the rest of the activity is in business that does not share the same resources and competences
7. Companies with concentrated activity but acting in unrelated business	The set of related businesses represents between 45% and 70% of total sales
8. Companies with unrelated business portfolios	Related businesses do not exceed the weight of 45% of total sales volume

Source: Adapted from Rumelt, 1977

Harrigan (1984) developed a model for the formulation of the vertical integration strategy, where he integrated the attractiveness of the industry with Porter's generic strategies. It has found that factors such as uncertainty in demand levels, the new industries' lack of notoriety, business volatility related to the negotiation power of customers and suppliers, technological innovations and competitors' threats, as well as the type of strategy to implement (differentiation, focus or cost leadership), influenced the level and form of vertical integration. Therefore, the researcher argued that cases of failure arising from the vertical integration strategy were due to an incorrect analysis of the impact of these factors on the company's activity.

If the strategy of companies were through market leadership, differentiation or costs, the vertical integration level should be greater, to ease activity control and create monopoly situations. However, in industries with uncertain attractiveness, managers should avoid vertical integration to ensure greater flexibility in eventual business' exit. This was because it was quite superior to the risk of not monetizing investments.

To empirically validate the developed model, Harrigan (1986) conducted a study to 192 companies from various industries, getting a behaviour pattern, with regard to the vertical integration strategy, which clearly differentiated the best and worst companies, at performance level:

- The best companies tended to have an offer with a higher degree of differentiation and of vertical integration upstream to control the quality of the previous stages of the exploration;
- The worst companies used, in industries with high growth rates, distributors and external marketing channels; the best used internal resources to reach the consumer, ensuring adequate dissemination and know-how protection for the developed innovations;
- The best companies made the integration into a greater degree of new activities, in situations that allowed to create monopolies and that devastated the prices of competitors and suppliers. These actions occurred more frequently when the integrating company originally acted in a concentrated market and acquired a company that worked in a fragmented market. Thus, it was able to reflect the operational efficiencies in prices, downstream (confirmed by Chatterjee, 1991);
- The best companies favored the almost – integration in favor of investment in the acquisition or creation of other entities;
- The degree of vertical integration of the best companies was correlated with the high growth rates of the industry and the lower competitive rivalry, which reflected in less uncertainty in relation to the future;
- The greater the negotiation power of customers or suppliers, the more companies with the best performance opted for the activity internalization, to ensure product quality (for customers) and lower raw material prices (of suppliers).

Table 5. Implementation model of the vertical integration strategy

	Volatile Industry	**Stable Industry**
Focus Strategy	Almost – Integration (with few internal activities) or Partial Integration	Almost – Integration or Partial Integration
Leadership Strategy	Partial Integration	Partial Integration or Total Integration

Source: Harrigan, 1984

D'aveni and Ravenscraft (1994) reported that the success of the vertical integration strategy was closely related to the ability to decrease operating costs, as a way for companies to create situations of clear competitive advantage through cost leadership.

In the study they performed, they observed that the activity internalization allowed to lower the general, administrative, advertising and research and development costs. However, vertical upstream integration increased production costs, which was explained by lack of motivation caused by intermediate products production with lower price compared to the market. Thus, part of the competitive advantage created by vertical integration was mitigated by the upstream activities of the chain value.

Vial (2007), also found that the success of the vertical integration strategy assumed by the companies was correlated with the production capacity used, with know-how and competencies similarity at each stage of the chain value, and lower levels of demand uncertainty.

In consonance, Markides and Williamson (1994 and 1996), Argyres (1996), Church and Gandal (2000) and Leiblein and Miller (2003), evidenced the strong positive relationship between vertical integration and Know-how specificity and the assets that companies intended to control to achieve monopoly positions. In addition, the greater the uncertainty and risk, the fewer managers were betting on the vertical integration strategy.

In this sense, Harrigan (1980 and 1985b) showed empirically that, in fact, vertical integration, both upstream and downstream, made business exit difficult, negatively affecting the performance of companies wishing to abandon declining industries. This situation was more visible the greater the number of internalized activities, assets' specificity, the bad use of production capacity and the amount of capital invested. However, Harrigan noted that synergies (resource sharing) between companies in the same group favored transfers of assets and people and reduced exit barriers.

Hamilton and Mqasqas (1996 and 1997) drew attention to the importance of companies with higher degree of vertical integration to place intermediate products on the market, optimizing the business group profit, through lowest prices over exploitation efficiencies.

However, business context has been transformed over the last years, as a result of technological innovations, global competitiveness, greater complexity of products, greater regulation and social pressure. Thus, companies are obliged to constantly adapt to the environment conditions to ensure value creation over time.

Therefore, it is not surprising that several studies show substantial transformations in the implementation of the vertical integration Strategy (for example, Chandler, 1990; Mpoyi, 1997 and 2000; Argyres & Bigelow, 2007).

Barreyre (1988) call the attention to the increasing importance of the almost – integration through cooperation contracts that allow the expansion of the business and, at the same time, greater risk sharing and greater flexibility in the eventual exit. As examples, franchises and joint ventures for conquering new international markets. In this sense, Klein, Crawford and Alchian (1978) stressed that almost – integration should be protected with contracts that did not allow opportunistic behaviour and non-compliance with agreements signed.

Mpoyi and Bullington (2004) proved that American industrial companies with greater capacity to adjust their vertical integration level had the best performance between 1980 and 1997.

Nickerson and Silverman (2003), found that the worst American companies in the logistics sector, were those that had greater investments in specific assets, higher fixed costs and a greater degree of activities internalization and concluded that this should be because lower response flexibility to the environment conditions.

In conclusion, vertical integration strategy could play an important role in business success through turnover growth by capitalizing resources and competences' know-how through related activities' internalization and the attainment of a superior overall quality of the product, depending on the activities' control that further condition the company's supply.

However, it is essential to observe the business strategic activities and those whose benefit of subcontracting exceeds the cost of not being carried out internally. Furthermore, it is essential that the decision on the vertical integration strategy should always consider the structure and attractiveness of the industry. Thus, the type and degree of internalization of various stages of exploration process can be defined, according to associated risk level, avoiding insurmountable barriers to a possible business exit.

Several researchers (e.g. Parnell & Wright, 1993; Ramaswami, Flynn & Nilakanta, 1993; Sriram & Anikeeff, 2001; Gibbons & O'Connor, 2005), related the strategies defined by Miles & Snow (1978) with performance. They evidenced that companies called prospectors, by the focus on technological leadership, are those that through successive innovations can diversify their activity both at the level of products and markets. They are those that have the highest growth rates. Companies designated by analysts, tend to follow the prospectors' strategies, increasing products range, based on the most successful examples and diversifying markets, general presenting greater profitability indexes. As for the Players Framed in the typologies of defenders and reactors, they focus on their activity in certain segments and, derived from their lower flexibility, regularly present lower performance indexes.

The options related to the development strategy of the product – markets matrix, also gave rise to the Multimarket theory contact, previously addressed by Edwards (1955).

This theory assumes that companies which compete simultaneously in various markets, avoid confrontation in a segment, fearing competitors' reactions in other segments, where they act mutually. Thus, the level of rivalry tends to decrease, favoring cooperation, knowledge sharing and performance.

Several studies, in different periods and activity sectors, proved this relationship: for example, Gimeno & Woo, 1996; Greve, 2007; Anand, Mosque & Vassolo, 2009; Coccorese & Pellecchia, 2009). However, Anand et al. (2009) drew attention to the possibility that, in the long term, the multi-market contact could undermine companies' performance by decreasing their strategic options, due to retaliation fear and, possibly, less environmental flexibility, derived from the tendency to imitate competitors' behaviors.

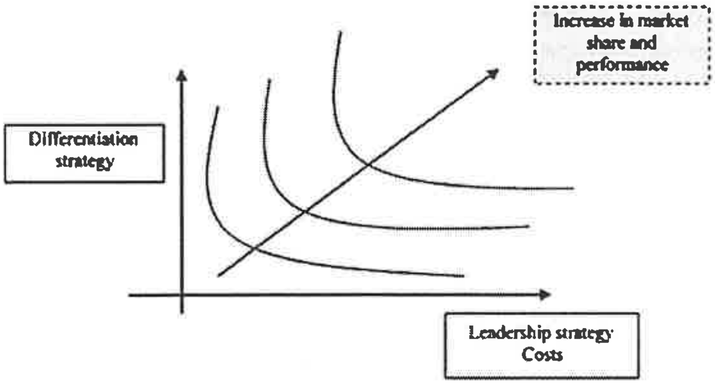
It can therefore be inferred that decisions regarding the development of the products – markets matrix, conditionate not only the company's field of action but also the definition of its direct competitors and the level of rivalry it will have to face.

In relation to competitive advantages' strategy, Porter (1980), referred in its model of generic strategies, that there were three possible positions to be adopted, to create competitive advantages over competitors: Costs leadership, differentiation or focus on a market segment. Companies that did not present a clearly defined positioning had worse performances than the remaining Players.

However, several studies conducted over the last 30 years (for example, Dess & Davis, 1984; Karnani, 1984; Miller & Friesen, 1986; Yasmin, Gunasekaran & Mavondo, 1999; Kim, Nam & Stimpert, 2004) proved that the best companies, in various activity sectors, were those able to master competences that allowed them to create sustainable competitive advantages at the same time, in differentiating and leading costs. Karnani (1984), mathematically demonstrated, that a company that bets on the differentiation strategy and progressively gains market share, can achieve, through the effect of scale economies, competitive advantages in cost leadership, proving that the strategies can perfectly coexist in the same company.

Nevertheless, the established competitive advantages should be sustainable. In this sense, Kaplan and Norton (2004), report that this will depend on:

Figure 4. Effect of the coexistence of generic strategies
Source: Adapted from Karnani, 1984



- Efficiency' ability, linking different functional areas, through new technologies, work processes and more appropriate management methods, obtaining shorter response times and lower operating costs;
- Quality capacity, considering the customer's needs at the level of reliability valued, the cost he is willing to pay and the intended deadline;
- Permanent innovation capacity at supply level, markets and organizational structure, ensuring a quicker and more effective response to environmental changes;
- Supply adequacy capacity, leveraging synergies from knowledge and workers' experience, increasingly approaching the organization product to client value.

Regarding the impact of internationalization on companies' performance, although there some studies showed no evidence of this relationship (for example, Gerpott & Jakopin, 2005) or negative correlation (for example, Collins, 1990; Lu & Beamish, 2006), the vast majority shows a favorable correlation (for example, Geringer, Beamish & Dacosta, 1989; Czinkota & Wongtada, 1997; Lu & Beamish, 2001; Elango, 2006; Kuivalainen & Sundqvist, 2006; Pangarkar, 2008; Hsu & Pereira, 2008; Zeng, Xie & Wan, 2009; Kiederich & Kraus, 2009).

Still, many studies that evidenced a positive relationship between internationalization and performance verified, that it depended on the mastery of unique competences in areas such as product innovation or production technologies, company reputation, managers experience in internationalization, the ease of know-how dissemination accumulated for subsidiaries, logistics efficiency in freight transport, cooperation with local entities or with national companies that shared distribution, marketing and facilities resources for the destination market (Harrigan, 1988; Geringer et al., 1989; Czinkota & Wongtada, 1997; Lu & Beamish, 2001; Elango, 2006; Hsu & Pereira, 2008; Kafouros et al., 2008; Slangen & Hennart, 2008; Kiederich & Kraus, 2009).

Several authors considered internationalization to benefit performance to a certain level, because the management complexity degree and associated costs, in an organization with a vast breadth of operations, progressively reduced profitability (for example, Rumelt, 1974; Geringer et al., 1989; Kumar & Singh, 2008; Lavie & Miller, 2008; Cadogan, Kuivalainen & Sundqvist, 2009).

In addition, there were considerable number of papers that drew attention to the company's country of origin for the financial success of the internationalization strategy. In fact, countries with highest internationalization tradition and more available resources in technological knowledge and innovation, favor their companies (for example, Wan, 2005; Elango & Sethi, 2007).

It can therefore be concluded that the internationalization strategy may have a very important role in business success, and should be adequately framed with overall strategy, with competences and competitive advantages. It is therefore important that the internationalization decision is prudently supported in a detailed analysis of market attractiveness and competitive capacity in each country.

CONCLUSION

The general objective of the present study was to analyze the relationship between companies' business strategy and financial performance.

It began by referring the perspectives evolution of the business approach strategy, where two research currents are highlighted: Based on positioning, with the main focus on the environment and in the structural analysis of the industry, and based on company, where it can include resource-based theory, which focuses on the resources and competencies of each organization.

Though, such as Ansoff (1987) and Mintzberg et al. (2002) referred, each approach represents only a partial image of what the business strategy is. In this sense, it can be considered that only their integration could lead to studies able to explain the external and internal forces that have an impact on business activities and to create a link between the environment, internal capacities and strategic formulation.

Starting from descending to a finer level of analysis of the sectorial environment, we sought to assign relevance to the intra analysis following the concepts of strategic groups and competitive groups. On the one hand, the strategic groups identify companies that are positioned on the market with similar strategies, on the other hand, the competitive groups identify companies that compete more directly among themselves in products and markets.

In relation to the resource-based theory, the company's role was stressed to explain the financial performance, through the development of intangible assets, central competences and dynamic capacities that allow the creation of sustainable competitive advantages over time.

Lastly, other dimensions were analyzed as business behavior to products and markets, costs and differentiation, vertical integration, business diversification and internationalization.

Finally, we analyzed numerous studies carried out over time, which related several strategic dimensions with financial performance, with the existence of several factors that could contribute to the success of companies:

- Strong presence in a core business or related diversification, creating synergies at the level of resource optimisation
- Presence in multiple product and market segments, diminished the competitive rivalry
- Competitive advantages in costs and differentiation, so as to deter more important processes in the Efficient or larger margins
- Upstream control of the activity to ensure the quality of supply and to guarantee monopoly situations and, downstream integration, when the industry has high growth rates, to dominate the marketing channels and to protect its know-how

- Internationalization of business, optimizing the know-how accumulated in key competences such as innovation, reputation, work experience in external markets, mastery of marketing channels and knowledge of partners in the countries of Destination

About vertical integration, several studies also advocate the almost integration to the detriment of vertical integration, due to the greater flexibility of companies in eventual business exits. At internationalization level, several studies also found that, from a certain level on, the complexity to manage decreased the positive effect of external markets in a company's financial performance.

So, with this research we contribute to a global vision of the relations between strategy and performance and we highlight some strategic options that can develop the sustainability of the businesses and help managers to take better decisions.

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ENDNOTE

1 As an example, Ormanidhi and Stringa (2008) found that Porter's model was the most referenced in "Business Source Premier", which is the world's largest database of published academic texts, cited 896 times from 1980 to 2005.