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## Examining the strategy-performance link of Latin American businesses – a configurational approach

### RESEARCH ARTICLE

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### Abstract

This study examines the sales performance of agribusinesses based in the humid tropics of Latin America. Its focus is on strategic positioning and specific functional areas, ranging from marketing to human resources and purchasing. This paper contributes to the literature through a novel methodological approach, a configurational angle, which allows for the identification of multiple causal explanations for consistently good sales performance. It also advances the research agenda on Latin American businesses by studying the strategic recipes of agribusinesses. The findings have both theoretical and managerial implications.

**Keywords:** emerging markets, Latin America, performance, QCA, strategy

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## 1. Introduction

Few topics have raised more debate in the field of management than the effects of strategy and strategy implementation on business performance in terms of sales and revenues (Grant, 2008). For example, whether a differentiation strategy has any effect on sales and profitability remains a heavily debated question and one with several potential answers (Campbell-Hunt, 2000; Dess and Davis, 1984; Kotha and Vadlamani, 1995; Pertusa *et al.*, 2009; Robinson and Pearce, 1988).

In addition to the debate over differentiation strategies, many other unaddressed questions remain regarding the effects of prioritizing certain strategic areas, such as marketing, human resources and supply chain management. Well-developed theoretical arguments justify investment in each functional area, often backed by empirical evidence. For example, scholars of operations management focus on the importance of the production process and product quality as determinants of performance, whereas scholars of marketing insist on the role of brands and advertising (Keller, 2009; Shah and Ward, 2003). Some of the most influential strategy scholars, such as Porter and Mintzberg, have used typologies or combinations of multiple, but not necessarily linear, causal factors that lead to competitive advantage (Mintzberg, 1979; Porter, 1985; Stonehouse and Snowdon, 2007). By doing so, they capture the complex nature of the relationships linking organizational structure, strategy and performance (Fiss, 2011).

The problem is that the strategy-performance relationship has been studied mainly through linear causality methods, which do not allow for multiple paths leading to the same outcome and, thus, do not fit well with the configurational nature of strategy and strategic priorities (Öz, 2004). The diversity of theory-backed explanations for the strategic priorities of firms does not provide clear implications for practitioners and makes it difficult to test causality. This study contributes to the literature on the strategies of Latin American businesses by examining the strategic configurations of 51 firms through Qualitative Comparative Analysis (QCA), a method based on Boolean algebra, which allows for multiple causal explanations. It addresses the following research question: what strategic configurations lead to superior sales performance in the case of Latin American agribusinesses? Thus, this paper contributes to the study of strategy and performance through a different set of methodological lenses, building on the work of Fiss (2007, 2011) and responding to calls for methodological diversity in management research (Öz, 2004; Welch *et al.*, 2010). Several authors point out that the environment in which a firm operates strongly affects the strategy-performance link (Ghemawat, 2005). The regulatory framework, growth and stability of markets circumscribe a firm's set of strategic choices and determine which strategic configurations may lead to competitive advantage (Boehlje *et al.*, 2005; Peng, 2002).

Research on Latin American firms remains scarce, though there is some empirical evidence supporting the idea that diversification, vertical or horizontal integration, and flexibility are essential for firms to survive and perform well in such environments (Khanna and Palepu, 2013). This research study builds on the existing strategy literature by extending its analytical reach to firms based in Latin America, responding to calls for more evidence from this region (Nicholls-Nixon *et al.*, 2011). It also focuses on agribusiness as opposed to industrial manufacturing, thus contributing to the body of knowledge by examining a rather under-studied sector, relevant to firms based in emerging and developed economies alike, as it is strongly linked to the food supply chain (Porter and Kramer, 2011).

## 2. Strategy and performance

One of the most relevant questions in management and international business is whether and how strategy affects business performance (Acquaah and Yasai-Ardekani, 2008; Pertusa *et al.*, 2009). Porter's generic strategy argument continues to generate both criticism and support in the academic community (Chew, 2000; Jones and Butler, 1988; Porter, 1996; Reitsperger *et al.*, 1993; Sashi and Stern, 1995; Stonehouse and Snowdon, 2007; Treacy and Wiersema, 1995). The issue may not be simply whether or not firms adopt a unique strategy, but how they try to accomplish that – for example, whether they position themselves

as premium, commanding higher prices than competitors, or whether they opt for a low-cost strategy. Firms imitate successful competitors and their strategies, adapting them to their resources and capabilities (Deephhouse, 1999). Superior performance may be linked to different strategic priorities as opposed to being the result of a single set of antecedents, and this link may help to explain the lack of clear empirical testing in this area (Fiss, 2007).

The literatures on relational marketing and supply chain management point to the relevance of maintaining long-term, collaborative relationships with suppliers, as such relationships help firms control for quality and pursue innovation (Dyer and Singh, 1998; Grönroos, 1997). Scholars of strategy in emerging markets argue that diversifying activities, such as integrating vertically or horizontally, can help firms manage market failures and, hence, help achieve competitive advantage (Khanna and Palepu, 2013). Other scholars emphasize the importance of the final quality of the product as a driver of competitiveness (Dhamvithee *et al.*, 2005; Shah and Ward, 2003). A more Schumpeterian, entrepreneurial perspective of firm strategy would maintain that innovation is at the core of competitive advantage (Dhamvithee *et al.*, 2005; Zahra and Das, 1993).

From a resource-based perspective, human capital is an important resource that may distinguish successful from unsuccessful firms; investing in the managerial team may contribute to a firm's capacity to sustain its competitive advantage in entrepreneurial ways (Becker and Gerhart, 1996). Within the realm of firms that deploy a unique strategy, empirical evidence shows that environmental sustainability is linked to superior performance (Porter and Van der Linde, 1995). Another common differentiation strategy adopted by food producers is leveraging the country of origin of their products as an element of competitive advantage (Usunier, 2006).

The literature covering the strategic priorities that may lead to performance is very extensive, precisely because it is split among different academic disciplines, such as marketing, human resource management, supply chain management, and strategy; thus, reviewing it is beyond the scope of this study. This section provides some examples to illustrate the theoretical and empirical foundations for the analysis in this study. Within the teaching and practitioners' realm, the strategy-performance question becomes even more heated: disciples of marketing seek to illustrate that marketing is the main determinant of sales; strategists emphasize positioning and strategy execution as antecedents of performance; leadership gurus focus on the role of the executive team and the capacity to lead people; operation management experts look at internal processes; and scholars of the relational perspective illustrate the role of relationships with clients and suppliers. One of the fallacies of this debate is that it focuses on clear cause-effect relationships between, for example, emphasis on marketing and firm performance, ignoring the fact that in real life, companies may simultaneously deploy strategies that pursue multiple priorities, such as investing in marketing and improving relationships with suppliers (Fiss, 2011; Miller, 1996).

Focusing on a narrow set of strategic priorities, or having one recipe for strategic success, may be consistent with the idea of pursuing a clear positioning in the market, but it can also lead to excessive emphasis on relevant areas at the expense of other, no less relevant areas (Miller, 1993). From the perspective of firms' capabilities, companies often prioritize the capabilities deemed critical or strategic (Lumpkin and Dess, 1996). Prioritizing capabilities can simplify strategy execution and focusing on the core business, but it can also prevent firms from developing other capabilities and adapting to the market (Levinthal and March, 1993). For these reasons, firms tend to execute their strategy by emphasizing different sets of strategic priorities (Fiss, 2011).

Firms combine strategic priorities to obtain a recipe, or configuration, which they deem suitable to achieving competitive advantage (Miller, 1996; Mintzberg, 1979). Different combinations of strategic priorities may lead equally to competitive advantage. These priorities are not necessarily linked to the outcome in a symmetric way, given that organizational features and strategic priorities form complex systems, where each variable is linked to the other and to the outcome through multiple causality links (Bowman and Ambrosini, 1997; Fiss, 2011). In other words, focusing on a given strategic priority, such as marketing, might lead to high

performance only if combined with other strategic priorities. Perhaps having a high-price strategy results in superior performance only if coupled with other strategic priorities, such as investing in product quality and innovation. This possibility is captured by the principle of ‘equifinality,’ which allows for different causal paths leading to the same outcome – a principle that finds much empirical support in reality but does not fit well with the linear causation methods generally used to test strategy and international business theories (Fiss, 2007; Ragin, 2008).

What if there were multiple strategic recipes to achieve superior performance? This study adopts a methodological approach that allows for multiple causal relationships – namely QCA – to identify the relationships between strategy and performance.

### 3. Methods and data

This study examines strategy implementation by domestic and international Latin American value added agribusiness firms specializing in food production through different activities such as selection, cleaning, and/or manufacturing process, which have higher capabilities and more- diverse strategic choices than commodity producers have (Garcia, 2005). The study is particularly relevant given the growing role of emerging markets as suppliers of food for the global market (Da Silva *et al.*, 2009). This paper focuses on firms based in the humid tropics of Latin America, a region that extends from the south of Mexico to Northern Peru, so as to limit the effects that climate and geography have on agriculture (FAO, 2007) and because the region has become a leading global exporter of value added agricultural products, driven by innovative companies (Da Silva *et al.*, 2009; Rosales and Kuwayama, 2012). By limiting our study to firms based in a specific region of Latin America, we also control for the effect of the external environment on strategy and performance – all firms are based in the same emerging market region (Hoskisson *et al.*, 2000; Zahra *et al.*, 2011). This empirical setting thus enables us to examine the strategy-performance link in an industry that, in spite of its global and local relevance, has yet to be thoroughly examined. Latin America’s humid tropics also differ strongly from the context of most strategy studies, which tend to be situated within developed economies (Khanna and Palepu, 2013). These differences entail that experimental and qualitative methods are more suitable than conventional methods, and particularly non-linear methods, such as QCA because they allow for multiple, non-symmetric, combinatorial explanations of the same phenomenon (Öz, 2004; Ragin, 2008).

The framework presented here is the result of about 110 hours of open-ended conversations with the founders and senior executives of 17 agribusinesses from the same geographic region. The researchers visited their establishments several times to discuss both strategy formulation and strategy execution. This qualitative data collection, carried out as part of a broader study, helps to identify the strategic priorities of Latin American agribusinesses (Brenes *et al.*, 2008, 2014). The lack of empirical evidence about strategy in the context of Latin American business and in the agribusiness sector makes this mixed method an appropriate one (Creswell, 2009; Nicholls-Nixon *et al.*, 2011; Porter, 1985; Robson, 2011).

From the information collected through qualitative interviews, the researchers created a list of strategies that Latin American agribusinesses consider important for achieving superior sales performance, including, among others, having higher-prices than competitors, investing in marketing skills and management team skills, and being innovative (Bowman and Ambrosini, 1997; Brenes *et al.*, 2014). Building on this qualitative evidence and on Brenes *et al.* (2014), the researchers developed a survey questionnaire and began a second phase of data collection, which lasted from January 2013 to June 2014.

The 250 targeted Latin American agribusinesses were first contacted via telephone and then given an online questionnaire. The researchers identified the target companies through Industrial Chambers, Commercial Guides and Agriculture Ministries and randomly contacted 250 of them. The response rate was 31.2%. This specific study focused on the 51 firms that achieved a minimum of 8% average annual sales growth for five consecutive years, which is well above the average gross domestic product annual growth for this region (Bárcena *et al.*, 2014), while also keeping their annual operating profits constant or increasing. Firms that

met the 8% sales growth criterion but experienced a decline in operating profits were excluded from the sample. As inclusion criteria, the firms should not be part of a global multinational company, not listed on the stock market, and they had to sell their products within and beyond the domestic market. The focus was on these type of firms in order to limit the heterogeneity of agribusinesses. (Austin, 1992; FAO, 2007).

### Variables

The questionnaires, which were corroborated with phone interviews when the answers were not clear, provided information about the strategic priorities in which the firms invested more resources (time, financial resources) as a means to achieve better performance. Fifty-one firms in this sample identified which among the strategic priorities they considered to be most important to their performance. They identified the following: geographic origin of the products as a marketing tool; proactive relationship with suppliers; emphasis on innovation capabilities; emphasis on sustainable environmental practices; good marketing skills; and good management team skills.

Next, when asked to identify their areas of strength when compared to their closest competitors, the firms named three key areas: high-prices, quality of products, and vertical integration.

The firms ranked strategic priorities and areas of strength versus closest competitors on a Likert Scale (1 to 7) which generated the data for the analysis. In the case of strategic priorities, the value of 1 means 'not important at all' and 7 represents 'extremely important' to achieve firms 'success. For Areas of strategic strength, 1 means 'much lower' and 7 'much higher' than closest competitors (Table 1). As a measure of performance we used the average annual sales growth for five consecutive years while also keeping their annual operating profits constant or increasing. The survey suggested the following options: 8, 13, 18, 23 and 25% average annual sales growth.

## 4. Fuzzy-set qualitative comparative analysis

QCA examines the relationship between an outcome (sales performance in this case) and all possible combinations of causal conditions (strategic priorities and areas of strength in this case) (Rihoux and Ragin, 2009).

The software Fuzzy-set qualitative comparative analysis (FsQCA) (University of Arizona, Tucson, AZ, USA) was used to examine the data. FsQCA is a program that uses multiple tools, such as Boolean algebra, combinatorial logic and fuzzy-set theory, to give different recipes of causal conditions that may be sufficient or necessary for a result to befall (Kent, 2008). A causal condition is considered as necessary if it must be

**Table 1.** Abbreviations and variable meaning.<sup>1</sup>

| Abbreviation    | Meaning  |
|-----------------|--|
| focus_theorigin | Geographic origin of the products as a marketing tool. |
| priceprod_r     | Higher-prices relative to closest competitors.         |
| prodqual_r      | Products quality relative to closest competitors.      |
| qualirelat_supp | Proactive relationship with suppliers.                 |
| innovation_proc | Emphasis on innovation capabilities.                   |
| skillmanag_envi | Emphasis on sustainable environmental practices.       |
| vertinteg_r     | Vertical integration relative to closest competitors.  |
| marke_skills    | Good marketing skills.                                 |
| team_qual       | Good management team skills.                           |
| sales_growth    | Average sales growth for past 5 years.                 |

<sup>1</sup> All variables are on Likert scale, except 'sales growth'.

present for an outcome to be reached. On the other hand, a causal condition can be also defined as a sufficient if always conducts to a result of study by itself (Peréz, 2009; Ragin, 1987).

FsQCA begins with a data matrix in which cases are either member or non-members of a category (Kent, 2008). In fuzzy-sets, the software records a value of 1 for full membership of a set, while zero means total non-membership. However, fuzzy-sets contain values that are not necessarily at the extremes of the continuum, and, for this reason, at least a third value is necessary to express a crossover point that defines the point of maximum ambiguity and a boundary for being in or out of a set, in other words, a third value is indicating a limit between necessary and sufficient conditions for the outcome to occur (Ragin, 2008).

The FsQCA software distinguishes cases that are more in a set than others. With fuzzy-sets, a subset relationship exists when the membership scores in one set, such as a combination of causal conditions, are less than or equal to the membership scores in another set, such as the outcome.

After the data matrix, causal conditions and one outcome may be selected to explain what set of conditions is necessary or sufficient for the outcome to occur. The truth table treats each single case as a configuration of the conditions selected (Elliott, 2013).

FsQCA is based on the idea that combinations of causal conditions – not just one condition – are linked to the outcome. Several combinations of causal conditions may lead to the same outcome (Ragin, 2000; Verkuilen and Smithson, 2006). The paper models a relationship that is not necessarily symmetrical and reports conditions that are necessary but not always sufficient; and it uses measures of consistency and coverage to assess how well alternative causal recipes explain the outcome of interest (Kent, 2008; Schneider and Eggert, 2014).

Both consistency and coverage are concepts that show a measure on every given model. Consistency shows the degree to which the cases share a given combination of conditions that is representative for the empirical evidence. Coverage shows the degree to which cases with the result of interest are explained by the final model (Peréz, 2009; Woodside and Zhang, 2011). This study treats consistency as higher than 0.80, while coverage must range between 0.2 and 0.6 (Ragin, 2006).

For this paper, the outcome of interest is the firms' sales performance in the last five years and different causal conditions that were grouped in two particular models defined by literature and confirmed through interviews. Whereby, we defined model one, which includes three causal conditions that are relative to closest competitors such as higher-price, better quality of their products and more vertical integrated; this model also includes four strategic priorities, these are proactive relationship with suppliers, innovation capabilities, marketing skills, and a good management team skills. We established a second model with a few differences from model one, first, it does not include vertical integration among causal conditions relative to closest competitors, and substituted two strategic priorities, better marketing and management skills, with two other, geographic origin of the products as a marketing tool and emphasis on sustainable environmental practices.

These two models represent an effort of qualitative research to have different configurations in firms that consider the strategic priorities and areas of strength to reach a high performance that allow themselves to grow in a period of 5 consecutive years. It is allowed to see different recipes of causal conditions while variables may change for any reason the firms may consider, whence this reality is represented in two built scenarios.

### *Calibration*

The first step to calibrating all the variables into fuzzy-set values is the selection of a fuzzy-set scale to get the fuzzy-set values, which are loaded into the FsQCA software. The first variable to be calibrated is sales growth (Table 2), where an increase of 20% represents full membership; the midpoint is 10%, and 5% is non-membership. On the other hand, causal conditions (Table 3 and Table 4) use the 1-7 Likert scale; in this

**Table 2.** Calibration of outcome: average sales growth for the past 5 years.

| Values for outcome (sales growth) | Fuzzy-set values |
|-----------------------------------|------------------|
| 0.25                              | 0.99             |
| 0.23                              | 0.98             |
| 0.18                              | 0.92             |
| 0.13                              | 0.71             |
| 0.08                              | 0.23             |

**Table 3.** Calibration of variables: strategic priorities.

| Values for causal conditions <sup>1</sup> | Fuzzy-set values |
|---|------------------|
| 1: not important at all                   | 0.05             |
| 2: not very important                     | 0.12             |
| 3: somehow important                      | 0.27             |
| 4: does not matter                        | 0.5              |
| 5: quite important                        | 0.73             |
| 6: very important                         | 0.88             |
| 7: extremely important                    | 0.95             |

<sup>1</sup> Factors that led to superior performance.

**Table 4.** Calibration of relative variables: areas of strength.

| Values for causal conditions <sup>1</sup> | Fuzzy-set values |
|---|------------------|
| 1: much lower                             | 0.05             |
| 2: lower                                  | 0.12             |
| 3: a little lower                         | 0.27             |
| 4: same                                   | 0.5              |
| 5: a little higher                        | 0.73             |
| 6: higher                                 | 0.88             |
| 7: much higher                            | 0.95             |

<sup>1</sup> Factors that led to superior performance relative to closest competitors'.

case, the membership score is given by three limits: 7 (full membership), 4 (midpoint) and 1 (no membership) (Basurto and Speer, 2012).

#### *Truth table for models 1 and 2*

The truth tables show all logically possible combinations of causal conditions and each configuration's empirical outcome (Ragin, 2008). The number of configurations is  $2^k$  (k represents all causal conditions considered for the outcome to occur). In this case, the value of 0 indicates that the condition is out of the set, and a value of 1 indicates that the condition is in the set (Table 5 and Table 6).

Among 11 observations for model 1, all causal conditions are present. However, not all conditions are necessary for all cases: only proactive relationship with suppliers (qualirelat\_supp) and better quality of products relative to the closest competitors' (prodqual\_r) are necessary conditions for the outcome to occur. In this case, there are no sufficient conditions because the membership values of the conditions are not lower than the membership of the outcome for all observations.

**Table 5.** Truth table for model 1 with fuzzy-set values.

| priceprod_r | prodqual_r | vertinteg_r | marke_skills | team_qual | qualirelat_supp | innovation_proc | number | sales_growth | raw consist. |
|-------------|------------|-------------|--------------|-----------|-----------------|-----------------|--------|--------------|--------------|
| 1           | 1          | 0           | 1            | 0         | 1               | 0               | 1      | 1            | 0.974425     |
| 1           | 1          | 1           | 0            | 0         | 1               | 1               | 1      | 1            | 0.918418     |
| 1           | 1          | 1           | 0            | 1         | 1               | 1               | 1      | 1            | 0.892123     |
| 0           | 1          | 1           | 1            | 1         | 1               | 1               | 2      | 1            | 0.87686      |
| 1           | 1          | 1           | 1            | 1         | 1               | 1               | 11     | 1            | 0.849403     |

**Table 6.** Truth table for model 2 with fuzzy-set values.

| focus_theorigin | priceprod_r | prodqual_r | qualirelat_supp | innovation_proc | skillmanag_envi | number | sales_growth | raw consist. |
|-----------------|-------------|------------|-----------------|-----------------|-----------------|--------|--------------|--------------|
| 1               | 0           | 1          | 1               | 1               | 0               | 1      | 1            | 0.984211     |
| 1               | 1           | 1          | 1               | 1               | 1               | 13     | 1            | 0.858652     |
| 1               | 0           | 1          | 1               | 1               | 1               | 2      | 1            | 0.854881     |
| 0               | 1           | 1          | 1               | 1               | 1               | 2      | 1            | 0.831451     |

Among 13 observations for model 2, all causal conditions are present. However, not all conditions are necessary for all cases: only better quality of products (prodqual\_r), proactive relationship with suppliers (qualirelat\_supp) and innovation capabilities (innovation\_proc) are necessary conditions for the outcome to occur. In this case, there are no sufficient conditions because the membership values of conditions are not lower than the membership of the outcome for all observations.

### *Findings of causal recipes*

The complex solution gives the most detailed solution since it makes no simplifying assumptions. It assumes that all configurations without cases (number=0) would have produced the lack of a result of interest (Peréz, 2009). There are three paths to see a causal condition in every configuration that makes an outcome occur: ‘YES’ means the condition is present; ‘NO’ means that the condition is absent; and ‘Indifferent’ means that the condition is impartial – that is, it is neither present nor absent.

## **5. Analysis**

Model 1 focuses on the strategic positioning of firms and the areas on which they focus. It examines: a high-price strategy; emphasis on the quality of the products; emphasis on the relationship with suppliers; emphasis on innovation capabilities; vertical integration; good skills of the management team; and good marketing skills. The results of model 1 show that three possible causal configurations lead to superior performance (Table 7). In each configuration, firms prioritize better product quality and proactive relationships with their suppliers. However, in the first and third cases, firms achieve superior performance through a high-price strategy, whereas in the second case, whether or not firms sell at higher prices than their competitors

**Table 7.** Configurations that led to superior sales good performance in model 1.

| Configuration   | Solution    |             |          |
|---|-------------|-------------|----------|
|   | First       | Second      | Third    |
| High-prices relative to closest competitors           | YES         | Indifferent | YES      |
| Products quality relative to closest competitors'     | YES         | YES         | YES      |
| Vertical integration relative to closest competitors' | YES         | YES         | NO       |
| Good marketing skills.                                | NO          | YES         | YES      |
| Good management team skills                           | Indifferent | YES         | NO       |
| Proactive relationship with suppliers                 | YES         | YES         | YES      |
| Emphasis on Innovation capabilities.                  | YES         | YES         | NO       |
| Consistency   | 0.863383    | 0.848399    | 0.974425 |
| Raw coverage  | 0.320933    | 0.617951    | 0.224978 |
| Unique coverage                                       | 0.028639    | 0.309123    | 0.020372 |
| Overall solution consistency                          | 0.843006    |             |          |
| Overall solution coverage                             | 0.669029    |             |          |

is indifferent. Firms prioritize innovation capabilities in the first two configurations, but in the third, they achieve high performance through other strategic priorities. Firms with a high-price strategy emphasize either marketing or vertical integration. Firms for which a high-price strategy is indifferent to the outcome integrate vertically and simultaneously focus on marketing.

The good management team skills is a strategic priority only in the second configuration, whereas it is indifferent for the first and not present for the third. Firms that may not have a high-price strategy prioritize product quality and collaborative relationships, like all other firms, and they also focus on good management skills, good marketing skills, innovation capabilities and vertical integration. However, firms that do have a high-prices strategy take different paths to achieve high performance. In configuration one, model 1 these firms focus on better product quality, innovation, relationships with suppliers and vertical integration. In configuration three, model 1, firms with a high-price strategy achieve high performance by focusing on product quality, marketing, and relationships with suppliers. Firms that do not necessarily implement a high-price strategy and are successful do prioritize the quality of their management team skills (configuration 2, model 1). Having a proactive relationship with suppliers and focusing on product quality are key priorities in all configurations of model 1.

The configurations generated by model 1 are consistent with the arguments of scholars of strategy in emerging markets: they show that to achieve superior performance, firms have to prioritize multiple areas – in our case, product quality and relationships with suppliers – coupled with different configurations of others (Acquaah and Yasai-Ardekani, 2008; Pertusa *et al.*, 2009). The results show that no firm achieves superior performance by prioritizing only one or two areas.

Model 2 examines which combinations of the following strategic priorities lead to superior performance: high-price strategy; quality of the products, geographic origin of the products as marketing tool; emphasis on innovation capabilities; proactive relationships with suppliers; emphasis on sustainable environmental practices. Model 2 builds on model 1 by incorporating not only the critical areas identified in the pilot study and in previous publications (e.g. Brenes *et al.*, 2014), but also two different and not necessarily exclusive ways of differentiating by positioning products as environmentally sustainable or with a strong emphasis on their geographic origin of their products.

The analysis shows two possible configurations of these priorities that lead to the same outcome (Table 8). Only in the second configuration do firms command higher than average prices relative to closest competitors, which is considered here as a proxy for having a high-price strategy. Emphasis on product quality and innovation

**Table 8.** Configurations that led to superior sales good performance in model 2.

| Configuration   | Solution    |             |
|---|-------------|-------------|
|   | First       | Second      |
| High-prices relative to closest competitors           | NO          | YES         |
| Products quality relative to closest competitors'     | YES         | YES         |
| Proactive relationship with suppliers.                | YES         | YES         |
| Emphasis on innovation capabilities                   | YES         | YES         |
| Emphasis on sustainable environmental practices.      | Indifferent | YES         |
| Geographic origin of the products as a marketing tool | YES         | Indifferent |
| Consistency   | 0.859155    | 0.819678    |
| Raw coverage  | 0.396221    | 0.646885    |
| Unique coverage                                       | 0.041630    | 0.292294    |
| Overall solution consistency                          | 0.810003    |             |
| Overall solution coverage                             | 0.688515    |             |

capabilities also appears in both configurations. In both cases, the relationship with suppliers also proves to be causal antecedents for superior performance. The main difference between the two configurations of model 2 is that, in the first, firms emphasize the origin of their products, whereas in the second configuration, they emphasize their efforts in the field of environmental sustainability. Having a high-price strategy is key for firms that prioritize their environmental credentials, such as those of configuration 2, model 2.

The results suggest that Latin American agribusinesses can achieve high performance by prioritizing the geographic origin or sustainability of their products. To do so, they focus on a better product quality and maintaining good-proactive relationships with the suppliers that provide inputs, as, presumably, the latter facilitate quality control across the value chain. They also prioritize innovation capabilities as part of the effort to introduce new products and processes to attract new consumers and maintain high quality standards.

## 6. Conclusions

This study examines the link between strategy and performance through a configurational approach, building on previous work by Fiss (2007, 2011) and extending the research agenda to a different context – that of Latin American agribusinesses. The study shows that multiple configurations can lead firms to achieve superior performance, though they share many elements, such as focus on product quality and the relationship with suppliers.

An important methodological contribution here is that using configurational method can enable uncovering multiple, parallel paths that firms use to be successful in different contexts, which conventional, linear regression analysis fails to reveal (Fiss, 2007; Öz, 2004).

A high-price strategy tends to be linked to high-performing firms, supporting the continuing validity of the Porter's generic strategy argument in different geographies and industries (Thornhill and White, 2007). Nonetheless, in one of the three configurations of model 1, firms achieve the same outcome with or without a high-price strategy – again, proof of the fact that there may not be only one way to success and that strategy is best examined through configurational lenses (Fiss, 2011; Miller, 1993).

All of the strategic configurations contain strategic priorities related to the final product, such as focusing on product quality, relationships with suppliers, marketing, and innovation. Relationship with suppliers, marketing, and innovation contribute to the quality and appeal of the final product. The first allows for better control over the inputs used; the second helps to communicate quality to consumers; and the last supports continuous improvement of product lines. The implications are that high-performing Latin American

agribusinesses are highly focused on the final customer and the product. Model 1 also shows the importance of vertical integration. This is consistent with the argument that firms based in emerging markets integrate vertically to internalize market failures – for example the difficulty of finding certain inputs due to uncertainty in the regulatory and macroeconomic contexts, or the high costs of reaching suppliers due to infrastructural deficiencies (Khanna and Palepu, 2013). Our analysis also illustrates that firms may achieve high performance without emphasizing the quality of the managerial team, as long as they have a high-price strategy and focus on product quality, relationships with suppliers, innovation, and vertical integration. This finding shows that although investing in one's management matters, it is not a necessary strategic priority to achieve superior performance through a high-price strategy.

The effects of management skills on firm performance have been discussed by a large body of literature (Huselid, 1995). However, there continues to be scarce evidence that management training and emphasis on management skills have positive effects on the performance of small and medium enterprises, such as those examined hereby (Westhead and Storey, 1996). One of the explanations for our outcome is that management training has a higher opportunity cost for small and medium enterprises, as they have smaller management teams who often perform multiple functions (Marshall *et al.*, 1995). Configuration 2 of model 1 shows that management skills are an antecedent of high performance for firms that do not necessarily have a differentiation strategy, yet focus simultaneously on innovation, product quality, vertical integration, relationship with suppliers, and marketing. Firms that are not vertically integrated and do not emphasize either innovation or marketing, on the other hand, achieve high performance without prioritizing management skills (configuration 3, model 1).

With regard to the specific way in which firms project themselves to consumers, the companies in our sample – consistent with the literature on food producers – emphasize two strategic priorities: environmental sustainability and focus on the country of origin of products. These priorities were examined in model 2 (Table 8). Both configurations included either a focus on environmental sustainability or on the country of origin, suggesting that attempting to be different in multiple ways (e.g. country of origin and environment) may not be as effective as a simpler positioning. Interestingly, firms that prioritize environmental sustainability implement a high-price strategy, whereas firms emphasizing the geographic origin of their products do not. The implication could be that these firms attempt to be different by specifying where their products originate, but do not charge higher prices for this feature.

The managerial implications of this study are that performance can be achieved through different strategic avenues in the agribusiness of Latin America, though it may be easier through a high-price strategy. That finding illustrates the importance of adopting strategic configurations that go beyond narrow definitions, instead incorporating elements of marketing, human resource management, supply chain management, and innovation. The finding also shows that there may be different ways to achieve a successful strategy, though they all involve strong emphasis on many other strategic priorities that support a company's positioning, including focus on product quality, relationship with suppliers and innovation.

The findings of this study illustrate that the complexity and multicausal nature of the link between strategy and performance is best examined through research methods that allow for equifinality (Ragin, 2008). This study suffers from the limitations of focusing on firms based only in the tropics of Latin America and operating in food production, which determined the sort of strategic priorities tested. Further research would be necessary to establish whether firms operating in other emerging markets and in other industries behave similarly. This study provides a first step towards a broader methodological approach towards the study of strategy and performance of Latin American firms.

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