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Full Length Research Paper

Competitive strategy orientation in Egypt and Peru

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There is a dearth of empirical studies that examine the link between competitive strategy and organizational performance in developing nations. This paper addresses this gap by assessing the strategy-performance nexus in two disparate emerging economies, Egypt and Peru. Findings support the cost leadership, differentiation, and focus conceptualizations of business strategy in both nations, but no single "best strategy" can be generalized. Focus businesses in Peru appeared to grow at a faster pace than businesses without a niche orientation, but a similar relationship was not found in Egypt. Avenues for future research are discussed, including the need for replications in other African and Latin American nations.

Key words: Peru, Egypt, strategy, competitive strategy, emerging nations.

INTRODUCTION

Differences in competitive strategy orientation are often identified when comparing and contrasting organizations in more and less developed nations (Ghobadian and O'Regan, 2006; London and Hart, 2004; Phambuka-Nsimbi, 2008; Ralston et al., 2008; Zhang et al., 2007and Zhou et al., 2006). However, much of what is known about competitive strategies and performance is based on studies of Western firms in developed nations. While some of these findings may be generalizable, differences in external factors—including cultural, political, economic, and competitive forces—challenge the validity of commonly accepted notions of strategy in emerging nations (Rousaki and Alcott, 2006).

The quantity and quality of published work investigating managerial conceptualizations of business strategy in developing nations is limited (Beneke, 2010; Groznik and Maslaric, 2010). Specifically, scholars continue to refine the understanding of the strategy-performance relationship, but relatively few studies examine the existence of a linkage in emerging countries (Majocchi and Zucchella, 2003; Pang et al., 2006; Wongtada and Rice, 2008).

The present study considers the strategy-performance nexus in Egypt and Peru. These nations were selected for investigation for several reasons. First, there are key similarities between the two, as both countries represent emerging economies with rich cultural heritages. Second, there are also marked geographical, religious, and cultural differences between Egypt and Peru that contribute to nuanced conceptualizations of competitive strategy (Parnell, 2008). Finally, assessing these two countries can help fill the gap that exists in extant strategy-performance work in emerging economies (Phambuka-Nsimbi, 2008).

LITERATURE REVIEW

The current understanding of the competitive strategy-firm performance relationship can be traced to the Industrial organization (IO) framework of industry behavior. IO emphasized characteristics of the industry as the primary determinants of organizational performance (Barney, 1986). Scholars challenged IO's inability to explain large performance variances within an industry (Ghemawat, 2002). Case studies emphasized organization-level behaviors associated with performance that were not readily explained by industry-level analyses, but often at the expense of generalizability.

The strategic group level of analysis was introduced as a compromise between the industry level of analysis inherent in IO and the firm level addressed in case studies (Hergert, 1983; Porter, 1981). Strategic groups represent clusters of businesses that exhibit relatively homogeneous strategic behavior within a heterogeneous industry. Generic business strategy typologies identifying feasible generic strategies were proposed and linked to organizational performance (Porter, 1980; Hashim, 2000).

Typologies proposed three decades ago became the theoretical basis for identifying strategic groups in industries. Miles and Snow's (1978) approach identified three workable competitive strategy alternatives: prospector, analyzer, and defender, and a fourth poor performing alternative, the reactor. Research has generally supported the validity of the Miles and Snow typology (DeSarbo et al., 2005; Parnell and Wright, 1993; Parnell, 2000).

Porter's (1985) generic strategy typology suggested that a business can achieve success through low cost leadership or differentiation of its products or services. Organizations adopting either approach could emphasize the entire market or focus on a single niche. Porter (1980) suggested that a business attempting to combine cost leadership and differentiation tends to perform poorly because the low cost and differentiation strategies are based on incompatible assumptions and necessary trade-offs. This idea initially received considerable support, but has been challenged by scholarly research arguing that a combination approach may promote synergies that can overcome any tradeoffs that may be involved (Parnell, 1997; Parnell and Wright, 1993; Wright, 1987).

Hypotheses

Most strategy-performance studies have considered firms in developed nations (Coombs and Holladay, 2007). There is a dearth of previous published work linking strategic orientation emerging nations like Egypt and Peru. Extant literature in the competitive strategy realm is sufficient for developing and testing three hypotheses in these two countries.

Research has supported clear distinctions among Porter's (1980) cost leadership, differentiation, and focus strategies, primarily in developed nations but also in emerging economies. Moreover, scholarly work has identified an overarching positive association between each of these strategic orientations and business performance (Parnell and Koseoglu, 2009). Similar findings are anticipated in Egypt and Peru, and some degree of support for this foundational hypothesis lends validity to testing the other hypotheses.

H_1: Cost leadership, differentiation, and focus strategies will be positively associated with performance in (1a) Egypt and (1b) Peru.

Business environments in Egypt and Peru share similarities and differences. Egypt has a rich cultural and commercial tradition, but its present business and management practices lag behind most Western nations (Magd, 2008). Western foreign investment and joint ventures with Egyptian firms have increased considerably in recent decades. Attitudes toward strategic planning in Egypt are essentially positive, in both manufacturing and service organizations (Elbanna, 2007), and in small and medium sized enterprises (SMEs) as well (Kazem and van der Heijden, 2006).

Peru also has a rich and diverse heritage (Metcalf et al., 2008). Its economy consists of a subsistence sector and a modern one most prominent in the capital, Lima (EIU, 2003). Recent trends have been noted in Peru in favor of greater management interaction, greater decentralization of decision-making, and more participative leadership styles (Buchenrieder and Heuft, 2003; Sully de Luque and Arbazia, 2005). Management tendencies are difficult to delineate, however, because of substantial differences across geographical regions, firms and Industries (Bieber and Mukhtyar, 1999; Jackle and Li, 2006). Formal management practices became prevalent only in the last decade and are not widely in small orga-nizations outside of Lima (Sully de Luque and Arbazia, 2005). Most firms in Lima are small as well, and are managed much differently when compared to their larger counterparts (MTPE, 2003).

Labor costs in both nations are lower than in developed Western economies. Firms in developing nations typically enjoy a comparative advantage in production costs when compared to their counterparts in the developed world (Hashim, 2000; Jusoh and Parnell, 2008; London and Hart, 2004). As such, it is expected that the most profitable firms will leverage this advantage by pursuing a cost leadership strategy.

H_2: Business organizations pursuing a cost leadership strategy will report greater profitability than those pursuing a differentiation strategy in (2a) Egypt and (2b) Peru.

Capital and other resources tend to be limited in developing nations (Hashim, 2000; London and Hart, 2004; Thukral et al., 2008). Management in nations like Egypt and Peru is highly dependent on government allocation of resources (Amsden, 1989; Steinberg, 1989). Management practice cannot be explained solely in terms of individual firm conduct, but must also include the role of the nation-state (Braham, 1994; Ring et al., 1990). As a result, successful firms tend to concentrate their efforts on one or two market niches rather than attempt to serve the entire market.

H_3: Business organizations pursuing a focus strategy will report greater growth than will their counterparts without a focus orientation in (3a) Egypt and (3b) Peru.

METHODOLOGY

Research in developing nations can present a number of logistical challenges for scholars. Although sound research encourages one to maintain methodological consistency, approaches to primary

Table 1. Strategy and performance Items*

Strategy items
Minimize Production Costs
Minimize Distribution Costs
Production Quotas
Differentiation
New Products
Uniqueness
Market Breadth
Wide Product Width
Marketing Emphasis
Competitor Emphasis
Risk-taking
Performance items (Ramanujam and Venkatraman, 1987)
Sales Growth
Profit Growth
Market Share
Return on Assets (ROA)
Return on Equity (ROE)
Return on Sales (ROS)
Overall Firm Performance
Competitive Position

* A five-point Likert scale was employed.

data collection common in developed nations often must be modified to fit the distinctive cultural attributes of the country in which the research takes place. Punnett and Shenkar (1994) warned against interviews, experiments and observational approaches where great religious differences exist between the researcher's home culture and that being studied. Survey research in nations like Egypt and Peru is feasible when any language barriers are overcome, but less reliable when educational differences are also highly pronounced (Adler, 1983; Hatem, 1994; Hutchings et al., 2010). These challenges were considered in the present research design, specifically in the measurement of the two key constructs, business strategy and performance.

Strategic emphasis was assessed via Likert-oriented items based on Miles and Snow's (1978) and Porter's (1985) typologies. Eleven items addressed such areas of the minimization of production or distribution costs, emphasis on new products, and new product development. A complete list of the strategy items is provided in Table 1.

Measuring organizational performance always represents a challenge in strategy-performance studies, as measurement choices can influence findings and conclusions (Cavalieri et al., 2007; Jusoh and Parnell, 2008; Pongatichat and Johnston, 2008). Although some studies utilize quantitative performance measures, a qualitative approach can assess subjective areas of performance such as the satisfaction of managers, customers and other stakeholders, and even ethical behavior. Utilizing qualitative measures provides insight into organizational processes and outcomes that are not apparent when financial measures are employed (Ayadi et al., 1996; Parnell et al., 2006). A qualitative assessment of performance was utilized in the present study, adopting self-typing scales to assess relative competitive and objective performance from Ramanujam and Venkatraman (1987). A complete list of the performance items is included in table 1.The surveys were independently translated into Spanish for the Peruvian sample by two bilingual professional: one-academic and one practitioner, who then compared their translations and agreed on final wording for the study. Surveys were sufficiently completed by 247 Peruvian managers, each of which was a participant in a post-graduate management training program in Lima. A variety of manufacturing and service industries were represented.

In Egypt, surveys were sent to the 411 top executive members of the American Chamber of Commerce in Egypt, including primarily U.S. based firms with Egyptian subsidiaries, although some of the companies were owned by firms in third (mostly European) countries. Respondents included top executives of Egypt, the United States, and other nations. Stamped and addressed return envelopes were included with each survey.

Three specific challenges to the research design in Egypt should be identified. First, Egypt's mail system is somewhat reliable, but the extent to which surveys did not reach their intended destination or completed surveys were never returned cannot be accurately assessed. Second, because the survey was sent to executives of non-Egyptian firms, it was not translated into Arabic so as to reduce the possibility that it may be passed along to a subordinate not fluent in English for completion. However, it is possible that some prospective respondents did not complete the survey because of language inadequacy. Finally, the lack of reliable performance data necessitated a reliance on items concerning satisfaction with performance rather than actual profitability or growth. Given the aforementioned obstacles, response rate was relatively strong with 152 executives providing usable surveys within a two-week time period, resulting in 152 usable responses, a 26 % response rate.

RESULTS

Egyptian respondents were considerably older and more

Table 2. Sample demographics.

Characteristic	Egyptian respondents	Peruvian respondents	Composite respondents
Sample size	152	247	399
Mean age	44.8 years	30.2 years	35.8 years
Gender			
Male	99 (65.1%)	117 (45.4%)	216 (54.1%)
Female	53 (34.9%)	130 (52.6%)	183 (45.9%)
Management level			
No level identified	11 (7.2%)	0 (0%)	11 (2.8%)
Low	32 (21.1%)		
Middle	72 (47.4%)		
Top	37 (24.3%)		
Mean experience			
Management	15.6 years	4.8 years	8.9 years
In the present organization	10.6 years	4.4 years	6.8 years

experienced than their Peruvian counterparts, but both samples reflect a cross-section of managers at all three levels (see table 2). The strategy and performance items for each nation were factor analyzed with a varimax rotation. The eleven strategy items in the Egyptian sample produced three eigenvalues over 1 to 3.646, 2.109 and 1.962 accounting for 70.2% of the variance. These three factors reflected strategic emphasis on low cost-differentiation, focus, and marketing/differentiation respectively. The eight performance items also produced three eigenvalues over 1 to 3.132, 1.666 and 1.386 accounting for 77.3% of the variance. These three factors addressed profitability, sales growth, and profit/market growth dimensions of performance. Factor scores were calculated and served as surrogate measures for the strategy dimensions. Factor results for Egypt are presented in Table 3.

Initial results from the Peruvian sample were similar, but not identical to those from the Egyptian sample. The eleven strategy items in the Peruvian sample produced three eigenvalues over 1 to 6.640, 1.275 and 1.021 accounting for 81.2% of the variance. Like the Egyptian sample, these three factors reflected strategic emphasis on low cost-differentiation, focus, and marketing/differentiation respectively. The eight performance items produced two eigenvalues over 1 to 3.584 and 2.935 accounting for 81.5% of the variance (Table 3). These two factors reflected growth and profitability dimensions of performance. Factor results for Peru appear in Table 4.

Results of the hypotheses tests are summarized in Table 5. H_{1a} is supported. Each of the three strategic orientations in Egypt was significantly and positively associated with one of the performance dimensions (Table 6). The low cost-differentiation strategy was associated with profitability, whereas the focus and marketing/differentiation strategies were associated with profit and market growth.

H_{1b} is supported. Each of the three strategic orientations in Peru was significantly and positively associated with growth, and two were significantly and positively associated with profitability (Table 7).

H_{2a} is partially supported. Only one of the three strategies was significantly associated with the profitability dimension of performance in Egypt (Table 4). Although this is the only strategy that includes a cost leadership emphasis, it is more accurately described as a combination low cost-differentiation approach. Hence, the data did not lend itself to a precise test of the hypothesis, so only partial support is claimed. H_{2b} is also partially supported. Two of the three strategies: low cost-differentiation and marketing/differentiation, were significantly and positively associated with profitability (Table 5). The association with profitability was stronger with the low cost-differentiation strategy. As with the Egyptian sample, however, this is a combination strategy rather than a pure cost leadership approach. Hence, only partial support is claimed. H_{3a} is not supported. Both the focus and marketing/differentiation strategies were significantly and positively associated with profit/marketing growth in Egypt, and none of the strategies was significantly associated with sales growth (Table 4). H_{3b} is supported. Although all three strategies were significantly and positively associated with the growth dimension of performance, the focus strategy association was the strongest (Table 5). Interestingly, it was the only one of the three strategies *not* associated with the profitability dimension.

Table 3. Business strategy and performance scales.

Egypt sample	Factor 1	Factor 2	Factor 3
Strategy	**Low cost-diff**	**Focus**	**Marketing-Diff**
Minimize Production Costs	0.761	0.076	0.182
Minimize Distribution Costs	0.882	-0.035	0.166
Production Quotas	0.761	-0.197	0.047
Differentiation	0.337	-0.015	0.769
New Products	0.822	0.025	0.169
Uniqueness	0.882	-0.084	-0.001
Market Breadth	-0.163	0.886	0.176
Wide Product Width	0.237	0.791	-0.130
Marketing Emphasis	0.072	0.114	0.764
Competitor Emphasis	0.048	0.066	0.787
Risk-taking	-0.227	0.792	0.170
Performance	**Profitability**	**Sales growth**	**Profit/Market growth**
Sales Growth	0.213	0.854	0.143
Profit Growth	0.132	-0.004	0.849
Market Share	-0.111	-0.005	0.848
Return on Assets (ROA)	0.934	0.072	0.043
Return on Equity (ROE)	0.815	0.154	0.053
Return on Sales (ROS)	0.858	0.092	-0.058
Overall Firm Performance	0.598	-0.672	0.192
Competitive Position	0.557	0.647	-0.166

To better understand the composition of the strategic groups and their links to performance in Egypt and Peru, cases were cluster analyzed (Ward's method) on the basis of the three strategy factor scores. Cluster analysis has been employed in a number of strategy-performance studies to classify businesses into strategic groups (Cool and Schendel, 1988; Derajtys et al., 1993); many cluster-based studies found a link between strategic group membership and performance (Dess and Davis, 1984; Katobe and Duhan, 1993). Cluster analysis is especially useful when the precise nature of strategic groups cannot be readily predicted. The optimal number of groups was the largest one whereby no two groups shared a similar strategic orientation and no group contained less than five percent of the cases. Four strategy clusters or strategic groups were identified in Egypt and Peru (Tables 8 and 9).

The strategic groups in each nation and their association with performance were similar, but not identical. In Egypt, the group (cluster 1) pursuing a broad market low cost-differentiation combination strategy reported the highest profitability, but sales growth and profit/market growth were well below the mean. The group (cluster 2) emphasizing the marketing dimension of differentiation did not perform well. There was no clear strategic orientation in the third group, whose members reported relatively strong sales growth but poor profitability and growth in profits and markets. The fourth group includes the high high performing combination strategy businesses (Wright 1987; Parnell, 1997).

In Peru, only one group (cluster 1) scored high on focus, and this group reported the highest level of overall growth. The low cost-differentiation group (cluster 2) outperformed the others along the profitability dimension. The group (cluster 3) emphasizing only the marketing dimension of differentiation reported performance levels near the mean. The fourth cluster reflects a "stuck in the middle" orientation with low performance across the board (Porter, 1980).

DISCUSSION

Four of the findings warrant additional attention. First, some key similarities across the two developing nations are apparent. Like their counterparts in many other emerging countries, Egyptian and Peruvian firms must function in dynamic political, competitive, and crisis-prone environments (Wang and Xi, 2009). As such, organizations that are flexible and seek to provide differentiated products or services and low costs might be better positioned for success. Interestingly, neither of the factor analyses produced a pure cost leadership approach; low costs were integrated to some extent with differentiation. Hence, the either low costs or differentiation mentality prevalent in many western organizations does not appear

Table 4. Business strategy and performance scales.

Peru sample	Factor 1	Factor 2	Factor 3
	Low cost-diff	Focus	Marketing-Diff
Strategy			
Minimize Production Costs	0.835	0.177	0.300
Minimize Distribution Costs	0.860	0.160	0.177
Production Quotas	0.749	0.422	0.112
Differentiation	0.335	0.249	0.831
New Products	0.797	0.266	0.358
Uniqueness	0.699	0.296	0.243
Market Breadth	0.283	0.889	0.145
Product Line Width	0.248	0.899	0.184
Marketing Emphasis	0.236	0.205	0.890
Competitor Emphasis	0.224	0.794	0.371
Risk-taking	0.599	0.600	0.099
Performance	**Growth**	**Profitability**	
Sales Growth	0.922	0.238	
Profit Growth	0.931	0.278	
Market Share	0.923	0.168	
Return on Assets (ROA)	0.255	0.926	
Return on Equity (ROE)	0.167	0.931	
Return on Sales (ROS)	0.140	0.927	
Overall Firm Performance	0.525	0.648	
Competitive Position	0.906	0.172	

Table 5. Summary of results.

Hypothesis	Result
H_{1a}: Cost leadership, differentiation, and focus strategies will be positively associated with performance in Egypt	Supported
H_{1b}: Cost leadership, differentiation, and focus strategies will be positively associated with performance in Peru	Supported
H_{2a}: Business organizations pursuing a cost leadership strategy will report greater profitability than those pursuing a differentiation strategy in Egypt	Partially supported
H_{2b}: Business organizations pursuing a cost leadership strategy will report greater profitability than those pursuing a differentiation strategy in Peru	Partially supported
H_{3a}: Business organizations pursuing a focus strategy will report greater growth than will their counterparts without a focus orientation in Egypt	Not supported
H_{3b}: Business organizations pursuing a focus strategy will report greater growth than will their counterparts without a focus orientation in Peru	Supported

to be as prevalent.

In a similar vein, support was found in both nations; particularly Egypt, for the notion that adoption of a combination strategy (that is, cost leadership and

Table 6. Strategy and performance correlations.

Egypt	Profits	Sales growth	Profit and market growth
Low cost-differentiation	0.458*	0.055	0.018
Focus	-0.038	0.128	0.293*
Marketing/Differentiation	0.040	-0.118	0.403*

* Significant at 0.05 level

Table 7. Strategy and performance correlations.

Peru	Growth	Profitability
Low cost-differentiation	0.196*	0.343*
Focus	0.552*	-0.120
Marketing/Differentiation	0.357*	0.154*

*Significant at 0.05 level

Table 8. Strategy clusters.

Egypt	Cluster 1 LC-Diff (n=23)	Cluster 2 Mkt/Diff (n=25)	Cluster 3 Unclear (n=49)	Cluster 4 All Three (n-54)	F-Stat.	Significance
Strategy						
Low cost-diff	0.53	-2.07	0.15	0.59	389.633	0.000
Focus	-1.95	0.10	-0.07	0.85	273.369	0.000
Marketing-Diff	0.51	0.34	-0.87	0.42	29.094	0.000
Performance						
Profits	0.83	-0.84	-0.54	0.52	34.004	0.000
Sales growth	-0.59	-0.25	0.27	0.13	4.873	0.003
Profit/Market growth	-0.34	-0.04	-0.36	0.46	7.809	0.000

Table 9. Strategy clusters.

Peru	Cluster 1 Focus (n=98)	Cluster 2 LC-Diff (n=58)	Cluster 3 Mkt/Diff (n=48)	Cluster 4 Stuck (n-43)	F-Stat.	significance
Strategy						
Low cost-diff	0.13	1.12	-0.62	-1.12	122.945	0.000
Focus	1.00	-0.58	-0.84	-0.58	167.510	0.000
Marketing-Diff	0.07	-0.34	1.21	-1.06	86.180	0.000
Performance						
Growth	0.53	-0.07	0.08	-1.21	47.726	0.000
Profits	-0.23	0.83	0.09	-0.70	29.654	0.000

differentiation) can result in high performance specifically, emerging markets often rely more heavily on cost containment, integrating differentiation at the margin (Parnell and Koseoglu, 2009). Hence, the lack of a clear distinction between low cost and differentiation approaches in nations like Egypt and Peru is plausible.

These findings reinforce the notion that cost leadership and differentiation are not at opposite ends of a strategy continuum because both strategies are subject to the same underlying cost tradeoffs (Jones and Butler, 1988).

Transaction costs represent the negotiating, monitoring, and enforcement costs associated with the transfer of goods and services between the firm and the consumer. Because they are the main component of differentiation and production costs are the main component of cost leadership, the difference between the two strategies can be viewed as one of degree rather than of kind. As such, the two strategies are not necessarily mutually exclusive. A contingency view of Porter's generic strategies also suggests that cost leadership and product differentiation can occur simultaneously, since each strategy may be linked to a variety of external means (Murray, 1998). For example, an effective cost leadership strategy stems primarily from an industry's structural characteristics, while a viable differentiation strategy stems from consumer tastes. Because these two sets of exogenous variables are different, simultaneous pursuit of low cost and differentiation strategies should not be precluded.

Second, several differences between Egypt and Peru were also found. Competitor emphasis is associated with marketing emphasis and overall differentiation efforts in Egypt, but with risk-taking, market breadth, and product line width in Peru. Both associations are intuitively appealing, but the distinction suggests that business, cultural, or other environmental factors likely play a role in strategy conceptualization. Also, performance items in Peru loaded cleanly on two dimensions, profitability and growth. Managers in Egypt distinguished between growth in revenues and growth in profits and markets. Again, both conceptualizations are plausible, but the distinction is noteworthy.

The nature of the strategy-performance relationship was also different. A sizeable high performing strategic group in Egypt emphasized all three strategy dimensions, but no such group was identified in Peru. Likewise, a sizeable poor performing strategic group in Peru did not emphasize any of the three strategy dimensions, but no such group was identified in Egypt.

Third, the nature of the strategy-performance linkage depends on the dimension of performance being assessed. The focus strategy was linked to growth but not profitability in both nations. Moreover, the combination strategy (that is, cost leadership and differentiation) was linked to profitability but not growth. Hence, different measures appear to be appropriate for different strategies (Hillman and Keim, 2001).

Finally, businesses concentrating their efforts on the marketing dimension of differentiation do not tend to perform well. Differentiation was a part of two factors in bot nations, one linked to cost leadership and another linked to marketing efforts. Overall, businesses emphasizing only the marketing dimension were outperformed by others in the samples. Hence, differentiation as a part of a comprehensive strategic approach that includes cost containment appears to be effective, whereas differentiation based primarily on marketing efforts does not.

CONCLUSIONS AND FUTURE RESEARCH

The present study supports the cost leadership, differentiation, and focus conceptualizations of business strategy in both Egypt and Peru. No single "best strategy" can be generalized, however. Focus businesses in Peru orientation appeared to grow at a faster pace than their counterparts without a niche orientation, but a similar relationship was not found in Egypt.

A number of realistic avenues for future research have been identified. First, the research design in the present study invokes a strategic group perspective. However, discontent with the limited emphasis placed on organization-specific factors in strategic group analysis and strategy typologies sparked a renewed interest in the foundational role played by firm resources in strategy development (Barney, 1991). Resource-based theory emphasizes unique firm capabilities, competencies, and resources in strategy formulation, implementation, and performance (Dutta et al. 2005; Kor and Mahoney, 2005; Ray et al., 2004). The dynamic capabilities perspective extended the resource based perspective and emphasizes the role of idiosyncratic firm competencies (Wang and Hsu, 2010). Organizational economics (OE) has built on the resource based view by integrating perspectives such as agency theory, incentives, transaction cost theory, and property rights theory (Fulghieri and Hodrick, 2006; Sheehan and Foss, 2007; Whinston, 2003). Similar research that invokes a resource-based, dynamic capabilities or OE perspective can provide additional insight into the strategy-performance relationships in Egypt and Peru.

Second, replications of the present study in other emerging nations may identify factors that are common to developing nations. Both similarities and differences exist when Egypt is compared to its neighbors in Africa or the Middle East. Likewise, Peruvian business practice is distinct, as substantial cultural, structural, and economic differences exist among nations in the Latin American cluster (Husted and Allen, 2006; Kumar and Chase, 2006; Lenartowicz and Johnson, 2003).

Organization of the business enterprise invariably occurs within a cultural context (Gibson, 1994; Kogut, 1991). The need to understand the cultural impact on relationships among behavioral variables in organizations has never been more critical (Hutchings et al., 2010). Despite a growing interest in international comparative management, additional cross-cultural and empirical work is needed (Atiyyah, 1993). Whereas scholars have typically viewed findings in Western organizations as universally applicable (Boyacilligar and Adler, 1991; Hofstede, 1980; Nelson, 1994), research highlighting the influence of culture and other factors has increased in recent decades. Additional empirical research investigating the role of culture and other factors in organizational processes and performance in developing nations is

needed (El-Amir and Burt, 2008; Elbanna and Younies, 2008). For example, the representation of women in Lima's work force has grown from about one-third in 1970 to about one-half by 2000 (Lazo, 1994; Sully de Luque and Arbazia, 2005). Historically, working conditions in Peru have been difficult and even abusive; Peruvian business structure is often seen as patriarchal, with high worker loyalty and resistance to change (Kumar and Chase, 2006; Morris and Pavett, 1992). Participative management approaches have begun to emerge during the last two decades however, (Buchenrieder and Heuft, 2003; Davila and Elvira, 2007; Galbraith and Nkwenti-Zamcho, 2005; Kumar and Chase, 2006; Sibeck and Stage, 2001; Sully de Luque and Arbazia, 2005). Recent research also suggests that Peruvian managers may be more open to participative management styles than their Egyptian counterparts (Escriba-Esteve et al., 2008; Weyzig, 2006).

Third, while sound research encourages one to maintain methodological consistency, problems arise when constructs and surveys are modified or translated to suit samples in other cultures (Parnell and Hatem, 1999). Such changes invariably present judgmental decisions that must be made by the researcher. Punnett and Shenkar (1994) warned against interviews, experiments and observational approaches where great religious differences exist between the researcher's home culture and that being studied. In addition, survey research is feasible when any language barriers are overcome, but less reliable when educational differences are also highly pronounced. Further, one's values can influence item interpretation and create response bias.

Following this logic, many management constructs developed in advanced Western nations may be inappropriate in emerging economies, especially those in Africa and the Middle East. Hence, new constructs may more accurately explain management behavior. There is also a need for modified research approaches to compare and contrast practices among widely divergent cultures without forcing one culture into the construct definition appropriate in another. Scholars should seek applications of management concepts so that existing theory can be applied to developing countries while at the same time allowing for substantial theoretical modifications when findings cannot be readily explained by prevailing models.

Fourth, the present study did not consider a prospective link between strategic group orientation and strategy conceptualizations. Hofstede's individualism (IDV) index, for example, represents the extent to which a society's members tend to function as individuals rather than members of groups. Low individualism in a society can facilitate teamwork because workers have a natural preference for identifying with and working as members of groups. It can also result in less individual initiative and even groupthink, however, as individuals are hesitant to express unpopular opinions (Duimering and Robinson, 2009). Egypt and Peru produced low scores on the IDV, 38 and 16 respectively. The United States, where many of the early strategy-performance studies were conducted produced a very high score of 91.

Finally, differences in strategic behavior between large organizations and small and medium sized enterprises (SMEs) are well founded in the literature (Ghobadian & O'Regan, 2006). The present study addressed relationships across organizations of various sizes and was not limited to SMEs. Samples limited to specific industries or respondents at middle or upper management levels can isolate differences across nations with greater precision. Future students that investigate the role of firm size in the strategy-performance relationship in emerging nations are suggested.

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