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THE RELATIONSHIP BETWEEN CORPORATE PROFILE, STRATEGY, AND PERFORMANCE IN INTERNATIONAL MARKETS

ABSTRACT

One of the core issues of strategy revolves around the relation between strategy and performance. Research studies analyze whether different performances are associated with different strategic attitudes. Given the importance of this issue, the objective of this paper is to describe and analyze the relation between the corporate profile, the adopted strategy and the performance in international markets of firms in the leather and footwear industry from the State of Rio Grande do Sul. The analysis of the corporate profile identified mature, medium-sized and big firms that engage in planning to guide their actions and that are concerned about monitoring changes in the environment with which they work. In regard to the relation between the corporate profile, the adopted strategy and international performance, an analysis of the correlation showed that the main variables that characterize the specific group are the strategic profile, planning, and monitoring of the business environment. It was found that firms with a high Gross Operating Income engage in planning activities on a less consistent basis, do not monitor their business environment and adopt a defensive strategic attitude.

Key Words: corporate profile, strategy, performance and international markets

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INTRODUCTION

As a result of the increase in the flow of trade among countries, several markets are becoming integrated into a global business base, leading to new perspectives in terms of the firms' business activities within a fiercely competitive context. This movement has led to growing academic interest in the study of the internationalization phenomenon and the processes involved in managing firms that conduct their business activities in the international market. In the opinion of Douglas and Craig (1992), strategic and management issues have begun to attract more attention from researchers.

The entry into international markets highlights a major expansion of a domestic firm's scope of activities, which implies taking into account factors of a more complex nature. In regard to the decision that leads to internationalization, Mata and Portugal (2004: 285) state that "the entry into foreign markets is probably determined by strategic considerations." From a similar perspective, Melin (1992) states that the internationalization of a firm is a strategic option and, as such, should be analyzed as a part of the continuous strategic process found in all organizations.

One of the core issues in the field of strategy revolves around the existing relation between strategy and performance. Researchers seek to find out, among other things, whether different performances are associated with different strategic attitudes (Mata and Portugal, 2002, 2004; Yip et al., 2000; Li, 1995; Venkatraman and Ramanujam, 1986). Considering this issue's importance, the aim of this paper is to describe and analyze the relation between the corporate profile, the adopted strategy and the performance achieved in international markets by firms from the leather and footwear industries of the State of Rio Grande do Sul.

LITERATURE REVIEW

Studying the entry of firms into foreign markets implies that the strategic aspects of these firms be taken into account. The challenges faced by firms exploring the possibility of entering the foreign market and the consequences of this decision introduce a strategic component to the process. In addition, as Bartlett and Ghoshal (1991) point out, there is a rising perception that international business activities and strategic management have increasingly found common ground in terms of the research studies being conducted in this respect.

Hence, we will now refer to some basic definitions. The word strategy derives from the Greek work *strategos*, which means "the head of the army" (Cummings, 1994). For a very long time, this word was only used in the military sense and described actions undertaken to achieve victory in a battle. The transposition of the concept to literature on management happened relatively recently. In 1944, Von Neumann and Morgenstern employed this concept in the theory of games and opened the way for a growing number of studies and publications in this field (Ansoff, 1977).

It is important to point out that, given the different origins and objectives, research into the field of strategy has resulted in a tangled web of concepts, theses and antitheses. Among the various concepts of strategy, many similarities are found in terms of semantics, even though syntaxes differ. Silveira and Vivacqua (1996) seem to appropriately represent a segment of concepts that relate strategy and the external context. According to these authors, "strategy corresponds to the capacity of working continuously and systematically on the adjustment of the organization to changing environmental conditions, keeping in mind a vision of the future and organizational perpetuity" (Silveira and Vivacqua, 1996: 13).

Given the different perspectives adopted in a research study on strategy, Whittington (1996) proposes that the theory of strategy be divided into four general categories: classic, evolutionary, procedural and systemic. The four approaches differ fundamentally according to two dimensions: the results of the strategy and the processes used to design it.

● Classic: This is the oldest and still the most influential category. It rests on the rational planning methods that dominate the textbooks in this field. Michael Porter (1980, 1985) is one of the best known representatives of this concept. In this line of reasoning, strategy is viewed as a rational process of deliberate calculation and analysis, developed to maximize advantages in the long term. This process is put forth as a universal rule. For the classicists, "profitability is the supreme objective of business and rational planning is the means to achieve this objective" (Whittington, 1996: 11). The origin of this reasoning dates back to the 1960's and therefore it is regarded as relatively new. Three authors established the key aspects of this line of reasoning: Alfred Chandler (1962), Alfred Sloan (1963) and Igor Ansoff (1965). The three helped define the basis of the Classic approach, comprised of the following: the connection with rational analysis; the separation of conception and execution; and the commitment to maximizing profit. These authors have a huge confidence in the availability and ability of managers to adopt profit maximization strategies by means of rational, long-term planning.

● Evolutionary: Unlike the classic view, evolutionists such as Hannan and Freeman (1988) and Oliver Williamson (1991) are less confident about the ability of upper-level managers to plan and act rationally. According to the evolutionary point of view, all that managers can do is make sure that strategies are kept in line, as efficiently as possible, with business environment demands. The market, and not the managers, makes the choices and points at the prevailing strategies. Inspired on the precepts of evolutionary biology, this approach uses metaphors to portray its beliefs. Competition, within this line of reasoning, is viewed as a constant battle for survival in a thick, humid, overpopulated jungle. Therefore, any mention of managerial intentionality, under this approach, would not be appropriate, as Whittington (1996) explains.

● Procedural: This line of reasoning also refuses to acknowledge any advantages in long-term planning, but the authors are less pessimistic in regard to managerial intentionality. Procedural attitudes emphasize the imperfect nature of human life, and pragmatically accommodate strategy into the fallible processes of organizations and markets. The best advice of this approach is to refrain from struggling for the unreachable ideal, and accept and work with the world as it is. Whittington (1996) explains that the basis of the procedural approach is found in the innovative work of Cyert, March and Simon, all of them from the American Carnegie School. Together, they moved toward a strategy preparation model that rejects the idea of the rational, economic man and the perfection of competitive markets. Two fundamental issues of procedural thought were analyzed: the cognitive limits of rational actions; and the micro-politics of organizations (which acknowledges the individual interests represented in the entire business).

The procedural viewpoint radically reduces the importance of rational analysis, limits the quest for strategic flexibility and reduces expectations of success. In practice, strategists do not ceaselessly search for the optimum solution, but satisfy themselves by following established routines and heuristics. Thus, strategies are the means whereby managers try to simplify and organize a world that is far too complex and chaotic to be understood.

● Systemic: Unlike the evolutionist and procedural propositions, this concept espouses a belief in the ability of organizations to effectively plan and act in their environments. Thus, the theorists are more positive about managerial intentionality.

Whittington (1996) explains that the theorists of this line of reasoning believe that strategy reflects the specific social systems that strategists take part in, defining for them the interests to act upon and the rules to survive. Thus, the underlying reasoning of strategy is specific to unique sociological contexts. A core aspect of this line of reasoning is the acknowledgement that a strategist is deeply rooted in interconnected social systems, which demolishes the notion of the rational, economic man. The notion of social embeddedness, as developed by Granovetter (1985), states that economic activity cannot be placed inside a flimsy sphere of impersonal financial calculation. Social relationships can explain strategic behaviors more accurately. Thus, decisions that might be considered irrational in the eyes of the classic approach, might be perfectly rational and efficient in a specific social context. Because of its characteristics, the systemic approach challenges the universality of any strategy model. On the contrary – the theorists take on a more relativistic attitude, insisting that the means and the ends depend on the nature of the predominant social systems. Therefore, even the hyper-rationality of the Classical School might be appropriate for some social contexts. Despite the distinct guidelines granted to the study of the strategic formulation process, the idea that its formulation incorporates aspects related to the external environment and how the firm interprets this still lingers on. Thus, the notion that the process has a certain type of dynamic is something that goes beyond the different approaches that the phenomenon entails.

The dynamics of the strategic process capture the notion that firms move towards an improved adaptation to the context that surrounds them. Thus, the understanding is that the corporate adaptation process occurs permanently, in a cyclic and interactive form. According to Miles and Snow (1978), three basic ideas guide the studies on corporate strategies:

1) Corporations act to create their environments. In other words, corporations do not simply respond to external conditions. Interactions between corporations and the environment are seen in a more flexible manner, taking into account the dynamic exchange between two forces. Therefore, it is acknowledged that the broader management decisions define the corporation's relation with the environment. Corporations create their own environments, based on choices related to the markets, products, technologies and other aspects.

2) Strategic choices made by management shape the corporate structure and processes. There are no simple cause-effect links between strategy and structure.

3) Structure and processes restrict strategy. Once a firm has developed a specific arrangement between strategy and structure, the search for activities outside the normal scope of the firm's business operations may pose a problem.

In this process of permanent adaptation, corporations take on different strategic profiles that can be identified. These profiles characterize the predominant strategic attitude of a given corporation and help one to understand specific action-related pathways. In the search for specific strategic standards, authors proposed typologies; Slater and Olson (2001) believe that those of Miles and Snow (1978) and those of Porter (1980) emerged as the two dominant schemes in business strategies.

Based on firms' responses to corporate problems (product-market coverage), engineering problems (technologies for production and distribution) and management problems (rationalization and innovation), Miles and Snow (1978) propose four different strategic profiles: defender, analyst, prospector and reactive. More recently, the reactive type was no longer considered as a strategic type, because this profile precisely represents the absence of any strategic attitude, and is characterized by merely reactive actions.

Miles and Snow (1978) explain that defender corporations have strict coverage of the product-market, with stable products targeting a clearly defined market segment. Defender corporations typically grow by penetrating their current markets more profoundly. These firms are concerned about maintaining their current efficiency. To this end, they update their technologies. Another characteristic is the relatively high level of formalization in their processes.

Prospectors are corporations that typically create changes and environmental uncertainty and they are constantly looking for market opportunities and experiment, on a regular basis, with potential responses to emerging business environment trends. Their product-market coverage is usually broad and in an on-going state of development. Unlike the defender, the prospector develops multiple technologies for its different products, thus ensuring the necessary technological flexibility.

Finally, analyst corporations operate under two types of product-market coverage, one of which is relatively stable, while the other is constantly changing. The corporate issue is how to locate and explore new products and market opportunities while simultaneously maintaining a stable base of products and clients.

The authors' perspective incorporates the idea that adaptations are cyclical and that changes in the management of a firm (internationalizing operations, for example) will bring on changes in other departments. Thus, each strategic type corresponds to specific predominant characteristics. The best performance is guaranteed by the adjustment between this strategic type and the organization's resources. In the words of Kluyver and Pearce II (2007: 20), "the implementation of a strategy dictates the management of numerous activities [...]. These activities are focused on the alignment of the resources and the competences of an organization with the requisites of the chosen strategic guideline." The need for strategic alignment is emphasized in the literature on this subject, because there is a general belief that this adjustment interferes strongly in the results achieved.

The internationalization of firms has become a phenomenon that has increasingly attracted the interest of the academic community. Originally, most of the academic papers were based on the theory of economics. The complexity of business administration activities in different countries has led to an increased interest for research studies of a management nature. At present, research studies that focus on internationalized firms seem to reflect the origins of the field, as they embrace references stemming from both economics and business administration. The field of international business and international management is becoming increasingly separate. The result is a vastly dynamic and diversified field of studies.

With the objective of organizing the available knowledge, Iglesias and Veiga (2002) propose two fields of study that focus on the internationalization of the firm; more specifically, the fields of economics and business administration. A similar classification is mentioned by Dib and Carneiro (2006), in whose opinion traditional internationalization theories can be classified under two research categories: approaches to internationalization based on economic criteria and approaches to internationalization based on behavioral evolution.

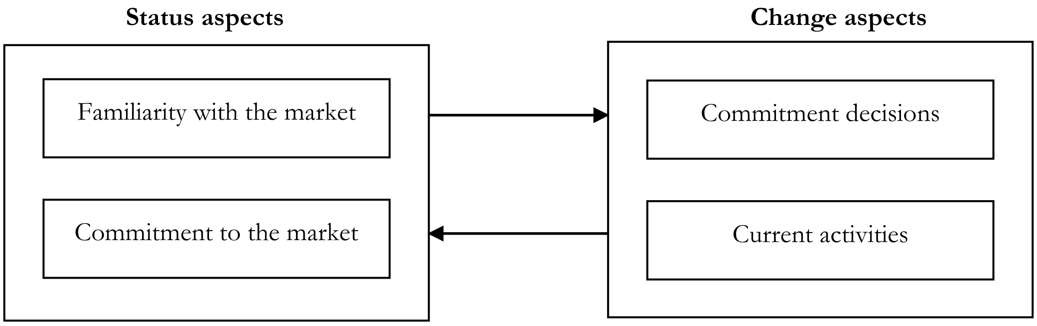
In relation to the internationalization of firms, Iglesias and Veiga (2002: 372) emphasize that behavioral models predominate in the studies conducted in this field; such studies "view the internationalization process as gradual and evolutionary, focusing on the reasons and characteristics of this gradual approach." In this respect, Douglas and Craig (1989: 48) argue that an evolutionary perspective of a firm's internationalization has been adopted by various authors in their writings on international management.

The evolutionary perspective is strongly based on the original studies of Johanson and Vahlne (1977), exponents of the so-called Uppsala Internationalization Model, the focus of which is on the development of an individual firm, understood within an evolutionary perspective and, particularly, on the gradual acquisition, integration and use of the knowledge about foreign markets and operations. As knowledge increases, so does the firm's commitment to foreign markets. Johanson and Vahlne (1977: 23) explain that "the basic assumptions of the model are that the lack of such knowledge is a major obstacle to the development of international operations and that the necessary knowledge can be acquired, especially through overseas operations."

The authors' perspective lies in the description of internationalization as a process in which the firm gradually increases its international involvement, understood in the form of cause-effect cycles. In relation to the theoretical bases of the model, Johanson and Vahlne (1990: 11) point out that they were found in corporate behavioral theory (Cyert and March, 1963; Aharoni, 1966) and in Penrose's firm growth theory (1959).

The model is based on four inter-related elements: market commitment; market knowledge; commitment decisions; and current activities (Figure 1).

Figure 1: The basic internationalization mechanism



Source: Johanson and Vahlne (1977, 1990).

In relation to the model's four basic elements, the authors state that market knowledge and commitment affect decisions related to the allocation of resources to foreign markets and the ways in which current activities are conducted. Market knowledge and market commitment, in turn, are affected by current activities and commitment decisions (Johanson and Vahlne, 1990).

Commitment to the market is defined as being comprised of two factors: the amount of allocated resources; and the level of commitment of these resources. Both, when jointly evaluated, allow for a description of the firm's level of commitment to foreign markets. In relation to market knowledge, the authors explain that this knowledge is acquired through the personal experience that is of the greatest interest to the model. In the authors' opinion, one of the model's critical assumptions is that market knowledge, including perceptions on a given market's opportunities and problems, is acquired mainly through experience in current business activities in a given market. They believe that this knowledge, more than experience, generates business opportunities, and that it is consequently a driver of the internationalization process.

The proposed model considers that the internationalization process, once it is initiated, will tend to continue, without taking into account whether strategic decisions in this respect will be taken or not. The intentional nature of the management action is minimized by Johanson and Vahlne (1990).

The model of the Uppsala internationalization process explains two patterns in a firm's internationalization. The first one shows that involvement in a foreign market will occur in a sequence comprised of four stages: a) irregular export activities; b) exports through independent representatives; c) opening up of a sales subsidiary; and d) manufacturing activities abroad (Johanson and Vahlne, 1990: 13). These stages represent higher levels of international involvement. The second pattern explained by the model is as follows: firms begin their internationalization in those countries whose psychic distance, in relation to its native characteristics, is shorter. Psychic distance is defined in terms of factors such as language differences, cultural differences, political systems and the like, which hinder the flow of information between the firm and the market.

Despite its weaknesses, the model has been heavily used, which might be due to the conceptual structure of this model being fairly simple. In later studies, the model was put to test, which led Johanson and Vahlne (1990: 14) to state that the structure gained strong support from studies conducted in different countries and situations. These studies confirmed that commitment and experience are important factors to explain firms' international behavior. Although the authors found empirical support, they acknowledge that the model is "extremely incomplete, and deliberately excludes many important explanatory factors." (Johanson and Vahlne, 1990: 18).

One of the most common criticisms is that the model's structure has a determinist nature and as such conveys the impression that internationalization occurs in a sequence of stages, as had originally been described, which does not explain why certain firms only engage in export activities, for example, and do not evolve to stages that entail a broader commitment.

In Melin's opinion (1992), the Uppsala model's contribution is a major alternative vision of internationalization in comparison to the dominant theory about foreign investments, namely Dunning's (1988) eclectic paradigm. However, Melin argues that the model minimizes the importance of the possibility that managers make voluntary strategic decisions, as the internationalization process will proceed throughout the proposed stages, regardless of whether strategic decisions concerning this are taken or not (Melin, 1992).

According to Johanson and Vahlne (1990), this argument does not have to go against the model itself. Instead, they argue that this argument should be used for the development of and differentiation from the original model. This means that the criticism would be directed at the highly biased nature of the model, a consequence of the conscious effort to capture a single, and so far non-evaluated, mechanism with a strong explanatory power related to a broad spectrum of manifestations of the firm's internationalization.

Vahlne and Nordström (1993) evaluated the critiques of the Uppsala model and found that most of the suggestions mention the inclusion of additional explanatory variables, as for example, the characteristics of the industry, of the domestic market, of the destination country, and of the product. Although this inclusion adds explanatory value, the authors believe that the inclusion of such variables would render the theory more eclectic and, by definition, more difficult to be put to test in terms of its veracity. Thus, they proposed that the new variables be used only to explain under which situations the theory is valid. The model in itself, and its four elements, must be put to test.

Another weakness found in the Uppsala model, where its empirical applicability is concerned, is that the model says very little about the internationalization process in experienced firms that have learned something during the course of decades of involvement with international activities (Melin, 1992). Its meaning seems to be limited to the initial stages of internationalization.

Even though the Uppsala approach has been criticized, its structure is still being used by researchers that resort to an evolutionary perspective in their research into the internationalization of firms, and it is up to them to provide this approach's fine tuning and the theoretical improvements.

METHODOLOGICAL PROCEDURES

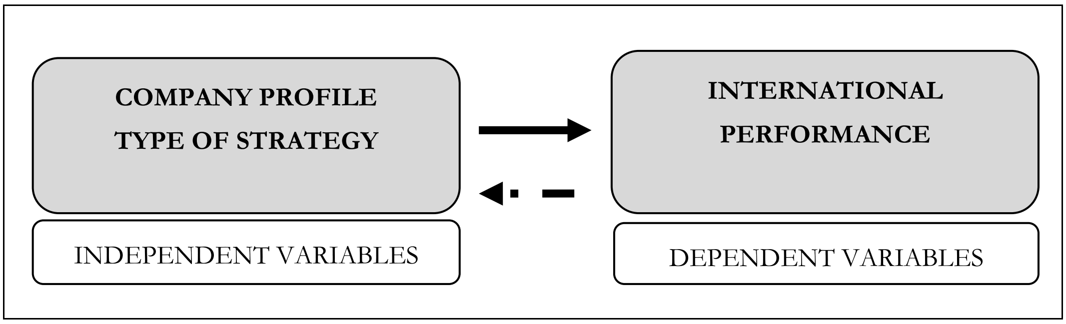
Type of Research

We conducted a descriptive, conclusive research study which, according to Mattar (1997), is the type to be used when the purpose is to describe the characteristics of groups, estimate the proportion of elements in a specific population that has specific characteristics or behaviors and verify the relation between the variables. In reference to data collection methods, Malhotra (2001) clarifies that they incorporate the search for secondary data, surveys, panels and observations as the main strategies to be used in the research study.

Conceptual Model

The conceptual model of the research study is defined on the basis of the identification of the interdependent relations between the corporate profile and the performance in the international market of the firms targeted by the study (Figure 2).

Figure 2: Conceptual model of the research study



The core assumption was based on the conceptual model adopted to conduct the research procedures.

International performance is influenced by the corporate profile
and by the type of strategy.

The data analysis method adopted, along with the help of bivariate and multivariate statistical techniques, aims at corroborating the initial conjectures.

Dimensions of the analysis

According to the objective of the study, the analyzed variables were grouped under three basic categories: corporate profile, strategic profile and international performance.

Corporate Profile

The characterization of the firms is based on the analysis of the independent variables: the time the firm has been in the given line of business, international practices conducted by the firm, size (number of employees), planning, monitoring of the environment, period of time doing business abroad and ways of doing business abroad.

Type of strategy

The firm's international market strategy is defined by the strategic profile, which is a dependent variable. The main strategies that corporations can use to maintain a relation with the market are described in Figure 3, based on Miles and Snow (1978).

Figure 3: Type of strategy

Prospector: The firm typically operates with a broad coverage of the products and the market which supports periodical modifications. The firm has pride in pioneering new products and markets, even if these efforts are not very profitable. It responds quickly to early signals concerning opportunities, and these responses frequently lead to new competitive actions. However, the firm might not be able to maintain its market strength in all the fields in which it is involved.

Analyst: The firm seeks to maintain a stable and limited line of products, while it moves swiftly to follow a carefully selected series of new and promising technical developments in the industry. This type of corporation rarely pioneers new products. However, by carefully monitoring the actions of its biggest industry competitors in areas that are compatible with the basis of the product and the market, the firm can often be the second most efficient firm in terms of launching products.

Defensive: The firm seeks to find and maintain a safe and relatively stable product niche. It has a more limited product line than that of its competitors and tries to protect its market by offering higher quality, superb services, lower prices, and so on. The firm often lags behind its competitors in terms of the industry's technological development. It tends to ignore changes in the industry that do not influence the firm's current operations, and instead, focuses on doing the best possible job in a limited space.

Source: Vorhies and Morgan (2003), based on Miles and Snow (1978).

International performance

The characterization of operations in the international market is analyzed on the basis of the following variables: length of time that the firm has been doing business abroad, the ways in which the firm does business abroad, and revenues generated abroad.

Population and sample

The population of this study took into account all the firms of the leather and footwear industry of the State of Rio Grande do Sul, which, according to data provided by *Sebrae/RS/Serviço de Apoio às Micro e Pequenas Empresas*, the Agency for the Support of Small Businesses in the State of Rio Grande do Sul, total approximately three thousand firms. The site of *Abicalçados/Associação Brasileira das Indústrias de Calçados* (the Brazilian Footwear Industry Association) provided us with information on 82 firms in the state. All of them were first contacted by letter, and then by e-mail and telephone.

A total of 21 firms answered the questionnaire properly and comprised the actual sample. In addition to these, four firms stated that they had no business activities abroad, and therefore could not contribute to the study; seventeen firms had non-existent addresses or telephone numbers, and no new records concerning them were found; four firms were closing down because of their difficulties in the preceding few months; this totaled 25 firms to be excluded from the 82 possible firms. The remaining 57 firms were invited to take part in the study on three different occasions, but only 21 firms were willing to answer the questionnaire; this equals a response rate of 37%. The balance (63%) did not answer the questionnaire, giving excuses such as lack of time, no permission from senior management to release information on the firm, and lack of interest in taking part in the study.

Data collecting

Questionnaires sent by e-mail and regular mail were used to identify exporting firms and to find out when, how and where they made their investments. In addition, we requested general information related to shareholding control, activity sector, number of employees, billings, percentage of operations resulting from international operations, year of entry into the international markets the firms are active in (Cyrino and Oliveira, 2002) and the marketing organization, according to the indicators proposed by Vorhies and Morgan (2003).

The questionnaire was based on the literature we consulted and was submitted to the analysis of experts – professors of marketing, strategy and international management and industry professionals. The pre-test and the validation were conducted after this analysis. After the data was collected, the questionnaires were checked, edited (organized), coded, and transcribed. The data was evaluated in terms of consistency and statistical adjustment; this was followed by the selection of the method of data analysis (Malhotra, 2001).

Data Analysis

The analysis of the exploratory data was carried out in a descriptive manner, based on the application of bi-variate and multi-variate statistical techniques.

Bivariate data analysis: correlation analyses were conducted to check on the existing relation between the dependent and independent variables. According to Pestana and Gageiro (2003: 174), "the strength of the relations can be measured by association, concordance or correlation measures. The various kinds of measures depend on the nature of the variables." We used Spearman's Rho correlation coefficient, recommended to measure the intensity of the relation between nominal and ordinal variables. The tests identified the association between the variables being studied.

Multivariate data analysis: we then conducted the multiple correlation analysis to relate the corporate profile and type of strategy variables with international performance. We adopted the Homals (Homogeneity Analysis) procedure to conduct the correlation analysis; this technique is applied when the intention is to study the relation between two or more nominal or ordinal variables (Pestana and Gageiro, 2000).

The data were tabulated and rendered operational with the help of Excel and SPSS software; the analysis was prepared in a descriptive manner.

ANALYSIS OF THE RESULTS

The results were presented according to the basic objectives and assumptions that guided the preparation of the research study, with the objective of characterizing and identifying the following elements in the analyzed firms:

- Corporate profile, type of strategy and international performance;

- Relation between the international performance, corporate profile and type of strategy.

Corporate Profile

The variable's length of time in the given line of business, number of employees, planning, and monitoring of the environment were analyzed to establish the profile of the respondents. Based on the collected data, we can state that most of the respondents have the following characteristics:

Table 1: Characteristics of the firm-predominating profile

Indicators	Characteristics
Time the firm has been in its line of business	21 to 30 years
Size (number of employees)	Medium-sized (100 to 599 employees) and large (over 500 employees) firms
Gross operating income abroad	Up to 20%
Engages in planning	Yes
Monitors the environment	Yes

The data in Table 1 show the predominance of mature, medium-sized and big firms that conduct planning to guide their actions, and that worry about monitoring the changes in the business environment in which they operate. In relation size, the insignificant number of small firms might indicate that this group was most heavily affected by the difficulties the industry is going through, and that it is represented in the percentage of firms that closed down during the data collecting period.

Type of Strategy

To describe the type of strategy, we resorted to auto-definition by selecting the best option out of the three available choices, in order to explain the firm's attitude toward the market. This criterion, referred to as "paragraph focus," was originally proposed by Snow and Hrebiniak (1980) and has been employed by authors such as Vorhies and Morgan (2003). The data obtained is described in Table 2.

Table 2: Positioning strategy

Strategy	Frequency	%
Defensive	3	14.3
Analytical	5	23.8
Prospecting	13	61.9
Total	21	100

Table 2 shows the predominance of prospecting firms, the ones that typically search for new market and product opportunities. This result corroborates the expected profile in relation to firms that go beyond the domestic market in search of opportunities in other countries.

International Performance

The firms were evaluated according to their activities abroad. To this end, we analyzed the length of time, international activities, and percentage of Gross Operating Income stemming from international operations. The data is shown in Table 3.

Table 3: International performance

Length of time doing business abroad	**Frequency**	**%**
Up to 10 years	5	23.8
From 11 to 20 years	7	33.3
More than 20 years	9	42.9
Total	21	100

Company's activities abroad	**Frequency**	**%**
Temporary	3	14.3
Permanent	18	85.7
Total	21	100

International practices	**Frequency**	**%**
Exports	21	100.0
Licensing	4	19.0
Total	21	100

Gross operating income abroad	**Frequency**	**%**
Lower revenues (up to 20%)	12	57.1
Average revenues (21 to 50 %)	5	23.8
Higher revenues (above 50%)	4	19
Total	21	100

As Table 3 shows, most of the respondents have been doing business abroad for more than 10 years. The predominant group consists of firms that have been doing business abroad for more than 20 years, which indicates that these are mature enterprises in their line of business. The way in which the firms relate with the overseas market is coherent with the length of time they have been doing business abroad: most of them are involved on a permanent basis. This shows that the international market is not viewed as an option to slumps in the domestic market. Despite their permanent involvement, overseas revenues are still relatively modest (up to 20% for most of the researched group). The domestic market is still largely responsible for most of the revenues earned by these firms. As for international practices, exporting is the typical line of business that all of them engage in, even though they have been working in the international market for a reasonably long time. In this case, knowledge of the market does not seem to have led to more highly committed decisions, as proposed by the Uppsala Model.

Relation between international performance, corporate profile and type of strategy

In order to verify the relation between the corporate profile variables, the type of strategy and the international performance, we conducted the multiple correlation analysis (homals).

To verify the degree of independence among the variables, in a stage prior to the correlation analysis, we conducted an exploratory analysis of the data by applying a correlation test (Spearman's Rho). The tests aimed at verifying the associations between the said variables. Table 4 provides the tests' descriptive significance levels. Figures lower than 0.5 emphasize the dependence between pairs of variables.

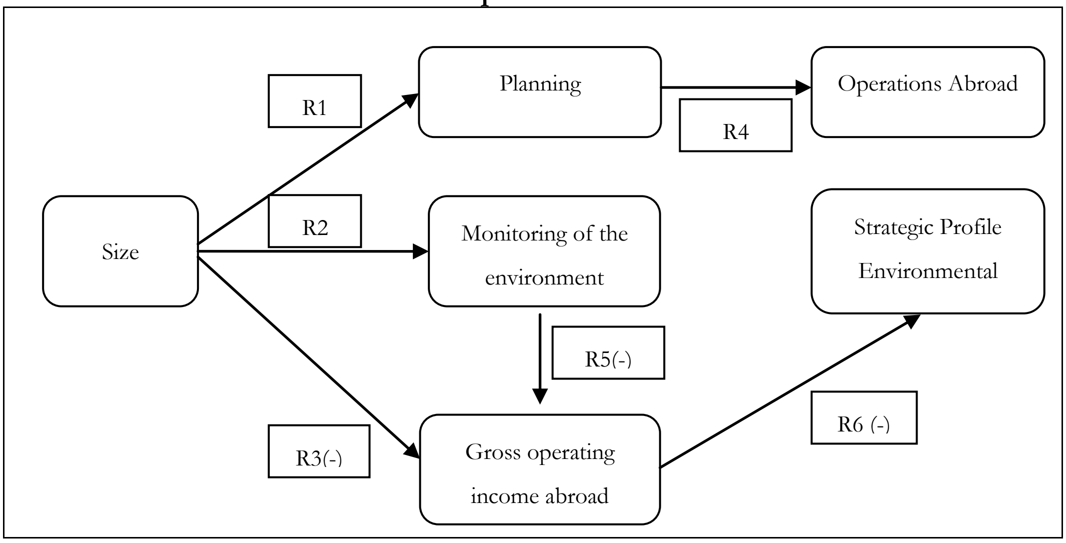
Table 4: Association measure between the corporate profile variables and international performance (Spearman's correlation)

	1	2	3	4	5	6	7	8
1 Sector Time		0.139	0.425	0.163	0.268	0.426	0.051	0.120
2 Size	0.139		0.007**	0.041*	0.855	0.582	0.188	-0.037*
3 Planning	0.425	0.007**		0.058	0.548	0.022*	0.854	0.436
4 Environmental strategy	0.163	0.041*	0.058		0.143	0.116	0.660	-0.007**
5 Strategic profile	0.268	0.855	0.548	0.143		0.169	0.299	-0.001**
6 Activities abroad	0.426	0.582	0.022*	0.116	0.169		0.050	0.131
7 Time abroad	0.051	0.188	0.854	0.660	0.299	0.050		0.051
8 ROBExt	0.120	-0.037*	0.436	-0.007**	-0.001**	0.131	0.051	

* Significant positive correlation, where $p = 0.05$; ** significant positive correlation, where $p = 0.01$.

The data in Table 4 shows the existence of four types of association involving five variables. The identified significant correlations are represented in Figure 4.

Figure 4: Correlations between the corporate profile, the strategic profile, and performance



The correlation tests show that in general there is an association between most of the corporate profile and type of strategy indicators with international performance. The variables that reflect the association relative to the other ones are size, planning, monitoring of the environment, strategy, activities abroad, and Gross operating income abroad. The variables length of time in the given line of business and time abroad are independent of each other and of the other variables. These observations allow one to exclude the variables length of time in the given line of business and time abroad from the analysis, due to their independence relative to the other variables of the conceptual model.

By applying the correlation analysis technique, we observed that category 1 has eigenvalues of 0.5316 and category 2 has eigenvalues of 0.365036. These values identify the clear disaggregation of the different categories, discriminating each variable and thus leading to the creation of different groups of variable categories.

The differentiation measurements in Table 5 show the allocation of the following variables: planning, monitoring of the environment and strategic profile under Category 1 and size and Gross operating income abroad under Category 2.

Table 5: Differentiation measurements

	Scores	
Variables	**Category 1**	**Category 2**
Size	0.453	0.685
Planning	0.432	-
Monitoring of the environment	0.564	0.07
Strategic profile	0.458	0.234
Gross operating income abroad	0.751	0.844
Total	21	100

The analysis of Figure 5 identifies the main variables that discriminate the groups being studied.

Figure 5: Differentiation measurements

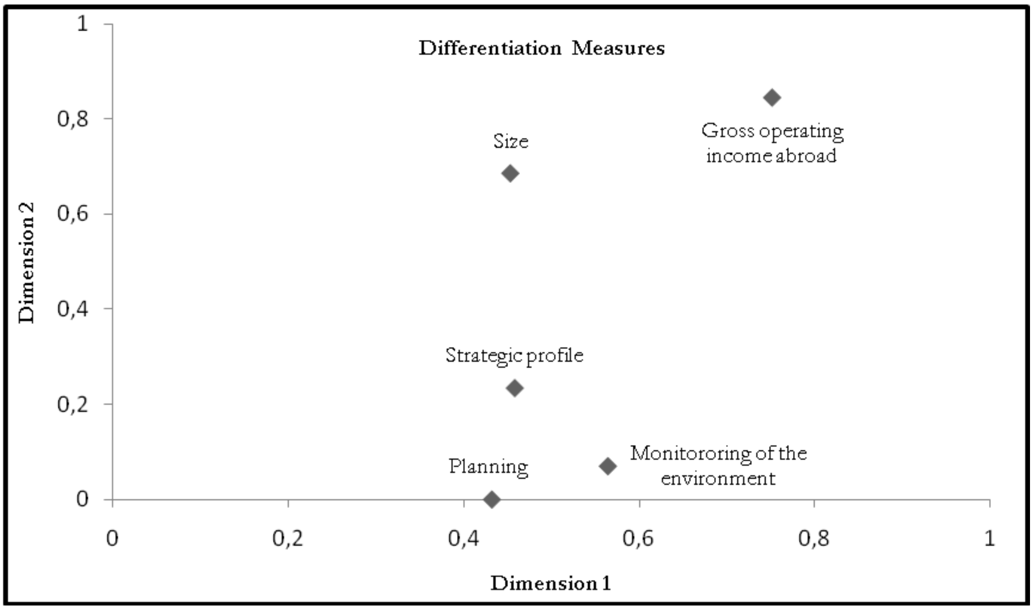
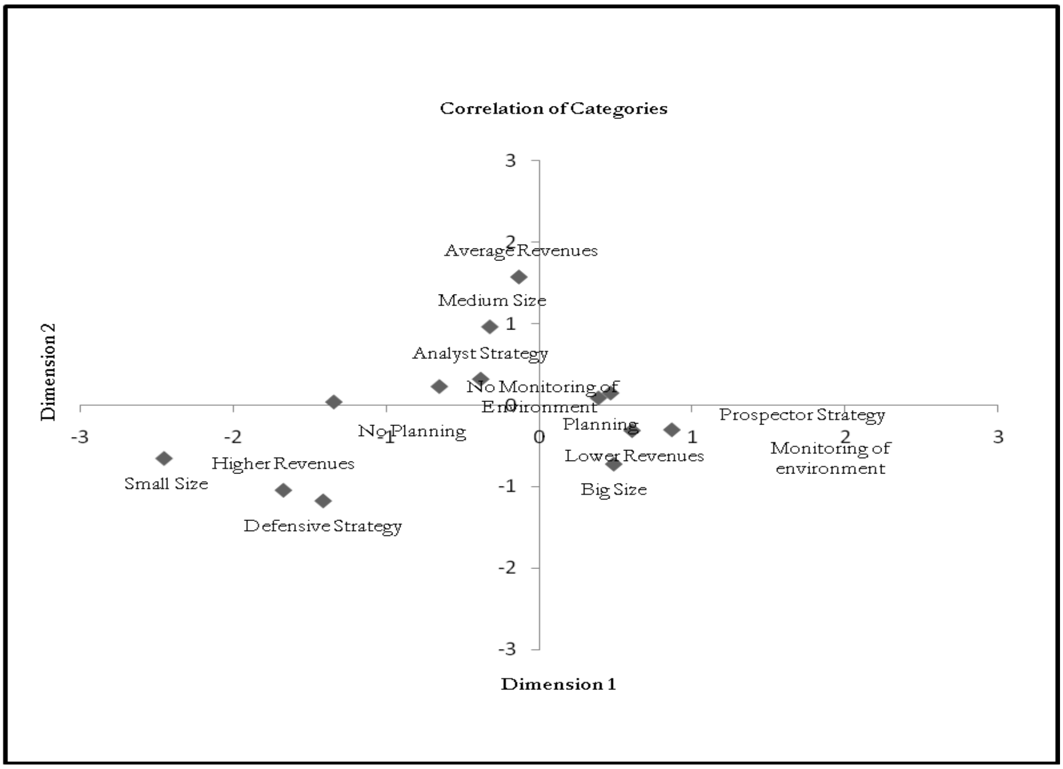


Figure 5 allows us to state that the main variables that discriminate the group being studied are strategic profile, planning, and monitoring of the environment. Therefore, one can conclude, confirming the basic assumptions of the study, that the corporate profile (planning and monitoring of the business environment) and the type of strategy differentiate the firms and influence their international performance (Gross operating income abroad).

Figure 6 shows the correlation between the following categories of variables: size, planning, monitoring of the business environment, type of strategy, and Gross operating income abroad.

Figure 6: Correlation of Categories



The data in Figure 6 calls for some comments about international performance and corporate profile:

- The higher gross operating income abroad is associated with small firms that do planning sporadically, do not conduct monitoring of the business environment, and adopt a defensive strategic attitude;

- The average Gross operating income abroad is associated with medium-sized firms that adopt the analytic strategic attitude;
- The lower Gross operating income abroad is associated with firms that engage in planning, conduct monitoring of the business environment and adopt a prospecting strategic attitude.

These comments lead to the understanding that the firms in the analyzed group, with a higher Gross operating income abroad, are smaller, engage in planning only once in a while, and do not monitor the business environment. Big firms seem to be more concerned about planning, though this concern does not translate into higher revenues.

The bigger firms predominantly defined themselves as prospector firms. In the case of small firms, the defensive strategy seemed to be the most appropriate one to define their strategic attitude. When reading Miles and Snow (1978), one recognizes the coherence between the absence of monitoring in the defensive firms, because it is typical of this behavior to maintain limited coverage of the product-market, disregarding any developments outside of it.

Prospector firms, on the contrary, seek opportunities beyond their usual domain. They are characterized by more flexibility and support their decisions by monitoring their business environment and by planning. According to Miles and Snow (1978), these firms are creators of change and business environment uncertainty. As for financial results, the authors had already realized that, given the need for flexibility and significant investments in their operations, the prospector firms rarely achieve the necessary efficiency to enjoy maximum economic benefits from their chosen markets.

CONCLUSIONS

This study's main objective was to describe and analyze the relation between the corporate profile, adopted strategy and performance in international markets of firms in the leather and footwear industries from the State of Rio Grande do Sul.

By resorting to multivariate analysis, we sought to describe the relation between international performance, corporate profile and type of strategy. To this end, we employed multivariate correlation analysis. The analyzed statistics proved the correctness of applying these techniques to the study's database.

The analysis of the corporate profile showed mature firms in this sector: they are medium-sized or large, conduct planning activities to guide their actions, and are concerned about monitoring the changes in their business environment. As for strategic type, the study showed the predominance of prospector firms, i.e., enterprises that are on the constant lookout for new market and product opportunities. The analysis of the international performance showed the predominance of a group of firms with more than 20 years experience in working abroad; they can be described as mature in terms of their international activities. The revenues earned abroad, however, are still relatively modest, accounting for only 20% of the earnings of most of the firms in this group. This shows that the domestic market still accounts for the bulk of these firms' revenues.

As for the relation between corporate profile, adopted strategy and international performance, the correlation analyses showed that the main variables that differentiate the group are strategic profile, planning, and monitoring of the business environment. We found that firms with a higher ROB are smaller, conduct planning activities only sporadically and do not monitor their business environment. Large firms pay more attention to planning but this concern, nevertheless, does not translate into higher revenues. The results are in line with the strategic typology of Miles and Snow (1978), because the large firms define themselves as prospectors, an attitude characterized by less impressive financial results. This occurs because prospector firms seldom achieve the efficiency required to reap the maximum economic benefits from their chosen markets, given the need for flexibility throughout their operations.

Based on our analyses, we concluded that corporate profile and type of strategy differentiate firms and influence their international performance, a conclusion consistent with the study's initial conjectures.

The study illustrated the importance of resorting to multivariate models as facilitators in order to understand data in social research studies. In an attempt to delve further into the subject matter of this research study, we suggest that the samples be increased in quantitative and qualitative terms.

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