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A Model for the Competitiveness Development of SMEs: from Dynamic Capabilities Perspective & International Entrepreneurship Theory

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ABSTRACT

In this study, the competitiveness development model of food SMEs in entrepreneurial market has been developed. Dynamic capabilities perspective and international entrepreneurship theory were used to theorize. The present study is one of the few studies carried out to find a model for developing the competitiveness of SMEs from the dynamic capabilities perspective. Twenty food-industries managers and experts in food sector were interviewed. The systematic approach presented by Strauss and Corbin (1998) was used to analyze the interviews. The competitiveness development model consists of the causal conditions, the intervening conditions, the contextual conditions, the export strategies of food exporting SMEs and the consequences. The model identifies dynamic capabilities that lead to competitiveness and suggest the path to building such capabilities. Implications of findings are discussed at organizational-level and institutional-level.

Keywords: *Competitiveness, Dynamic Capabilities, International Entrepreneurship, Entrepreneurial Exports, Iran, Food industry, Configuration Capabilities.*

Introduction

In the SME competitiveness literature, the available viewpoints are criticized since they look for utilizing current organizational resources and capabilities, while the main issue is the ability to adapt, renew or re-create their resources in a dynamic and interactive system which aims at continuously making changes and adaptations to competitive requirements, particularly, in dynamic

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and international (exports) environments (Man & Chan 2002). This shortcoming have been taken into consideration in dynamic capabilities perspective which is based on the assumptions of resource-based perspective (Teece, 2009). Dynamic capabilities that “enable organizations to adapt, integrate and reconfigure skills, resources, and functional competences” (Dixon et al., 2014; Bocken & Geradts, 2019). The dynamic notion refer to the ability that they create so the organization can renew its competences to achieve congruence with the changing environment. Dynamic capabilities thus are the foundation for a firm's ability to respond to the environmental changes. Moreover, the investigations on competitiveness have taken tangible resources of the organizations into consideration and have employed resource-based approach which is a static viewpoint (Tambonan, 2009; Sener, Sarval & Aydin, 2014). In a novel approach, the preset study tries to investigate competitiveness of firms originated from knowledge resources and intangible assets are originated. Also, most of the studies in terms of dynamic capabilities has been done for multinational corporations and in developed countries (Kaur & Mehta, 2017; Eikelenboom & Jong, 2019) while the context of this study include SMEs in a developing country.

Although the dynamic capability perspective has increasingly been used in entrepreneurship (e.g. as enabler for business creation (Bowman & Ambrosini, 2003); as a source of innovation (Dangelico et al. 2017); as a new market entry/market expansion strategy (Cavusgil & Knight, 2015), understanding the specific dynamic capabilities that enable and sustain entrepreneurship is at best at its beginning (Eikelenboom & Jong, 2019; De Massis et al., 2018; Zahra et al. 2006). Based on Pisano (2014) categorization, there are industry-specific dynamic capabilities and general capabilities that are applicable to different contexts. Helfat (1997) considers any research and development in American petroleum industry as dynamic capabilities. Karim and Mitchel (2000) consider acquisition strategy as a dynamic capability in the US medical sector. Rodriguez, Wise and Martin (2013) suppose learning capability, market adaptation- development and flexibility as dynamic capabilities in the context of high involvement exporting Mexican firms. Malik and Kotabe (2009) point out that organizational learning, reverse engineering and production flexibility are the dynamic capabilities in emerging market manufacturing firms. Drawing on Pisano's (2017) distinction, we can conclude that dynamic capabilities are context specific and not identified clearly in all contexts. The context of this study is entrepreneurial firms in the food sector of an emerging economy aiming for internationalization by export and gaining competitiveness at a global level.

As a developing country, Iran has taken non-oil exports into consideration as an important strategy in its economic plans in order to be released from single-product economy and develop non-oil exports. However, in practice, the achievements associated with non-oil exports are mainly related to petroleum commodities and derivatives. Hence, the country needs to strengthen export firms and their international competitive capabilities, in particular, in the fields which have the required potential for international trade and competitions.

One of the industries that can be of great value in a situation that the country is seeking non-oil exports is food industry (Kaffash et al. 2012). However, despite high potentials of food industries in Iran, the balance of trade is negative for this area and it should gradually become reasonable and positive (Tehran Chamber of Commerce, Industry and Mines, 2016). Therefore, there is an urgent need to boost the industry's competitiveness at a global level in the near future.. It is noteworthy

that the potentiality in this industry can bring about more success and development in non-oil exports than petroleum products and derivatives. Currently, there are 11,000 active food industries in the country which accounts for 15% of the total employment of the country's industrial sector (Tehran Chamber of Commerce, Industry and Mines, 2016).

Regardless of the issue of non-oil exports and the low competitiveness of country's food industry, it is important to pay attention to small and medium-sized enterprises (SMEs) in this industry which can be the basis of economic and regional development. Despite the presence of SMEs in the industrial structure of Iran (about 95%), these businesses have not been able to gain competitive advantages over larger enterprises. Thus, in this study, small and medium enterprises in Iran's food industry are investigated. In other words, the main purpose of this study is to develop a model explaining the path toward competitiveness development for Iranian food exporting firms in international markets.

Literature review

Competitiveness at the firm level

Bukley et al. (1988, as cited in Man & Chan, 2002) address three aspects for firm-level competitiveness including competitive performance, competitive potential and managerial processes. A similar framework was presented by Management Development Institution and World Economic Forum in 2004 (Sternad et al. 2013; Schweizer et al., 2010). They ask not to consider competitiveness as a simple list for measurement purposes and considered competitiveness is a dynamic concept; Therefore, it suggests in order to study of competitiveness, not only should results and performance be taken into account, but also the potentials, assets and processes which lead to create the performance should be considered.

Dynamic capabilities and competitiveness

In the present study, competitiveness was investigated from dynamic capabilities perspective. Accordingly, different researchers argue that utilization of dynamic capabilities perspective in an organization bring about improvement in performance and competitive advantage (Eisenhardt & Martin, 2000; Eriksson, 2013; Frassetto, Dawson, Calderon & Fayos, 2018). Lichtenthaler and Lichtenthaler (2009) provided a capacity based-framework for open innovation. Furthermore, Mckelvie and Davidsson (2009) examined the six types of effect of tangible and intangible resources on dynamic capabilities in new firms. But this study has adopted Teece's (2009) process view about dynamic capabilities because we study dynamic capabilities from entrepreneurship of export and in such a context Identification and exploiting the opportunity is very important.

Teece (2009) argues that the dynamic capabilities indicate innovative capabilities in the organization for a) identification of opportunities, b) seizing the opportunities, and c) organizing the threats by combination and reconfiguration of the assets inside and outside the organizational borders. The dynamic capabilities own an implicit nature in such a way that conceptualization and observation of them might be difficult, however, they can be identified as a set of specific processes in the organization (Eisenhardt & Martin, 2000; Pavlou & El Sawy, 2010).

Dynamic capabilities and international entrepreneurship

Entrepreneurship and exports are continuously appeared in the literature of marketing and management. However, the existing knowledge on entrepreneurship of exports is at the initial stage (Hessels & van Stel, 2011). Entrepreneurship of exports is originated from international entrepreneurship which is theoretically dispersed (Mainela et al., 2014). Therefore, this knowledge area accompanies a knowledge gap and few theoretical conflicts (Keupp & Gassmann, 2009). Although export-orientation has considerably received attention of researchers over the last decade in terms of new investments and international entrepreneurship (Oviatt & McDougal, 2005), but entrepreneurial exports, which are part of international entrepreneurship, have not been taken into consideration (Hessels & van Stel, 2011; Navarro-Garcia et al., 2015). In other words, there is a research gap in the field of international entrepreneurship (Mainela et al., 2014) especially, identification of the role of environmental and organizational factors affecting the export behavior of entrepreneurs suffer from a cognitive gap (Ovitt & McDougal, 2005; Navarro-Garcia, Schmidt & Rey-Moreno, 2015).

Moreover, the models offered for international entrepreneurship are mostly related to global companies while Small and Medium Enterprises (SMEs) are less considered, particularly, in developing countries. Nevertheless, a glance at SMEs activities in developing countries indicates a close and effective relationship between activities of such firms and economic-social developments of developing countries (Taylor, 2013; Fairoz, Hirobumi & Tanaka, 2010). Hence, this study tries to present a model for food sector competitiveness from the dynamic capabilities and entrepreneurial export perspectives. International entrepreneurship theory was used in this study to present competitiveness model since additional business theories at international level (e.g., gradual internationalizing theory) typically consider the firm apart from other factors. In other words, the theories other than networking theory consider the firm only as an analytical level. In contrast, international entrepreneurship theory utilizes several elements such as participants, business type, and even governmental activities. Hence, a comprehensive model can be presented for the firm competitiveness. Also as mentioned, the main purpose of this study is to develop a model explaining the path toward competitiveness development for entrepreneurial food exporting firms.

Rodriguez and his colleagues investigate the impact of dynamic capabilities (i.e., learning capability, market adaptation-development, production flexibility and innovation) on exports performance (Rodriguez et al, 2013). As they state, organizations with learning orientation will identify market opportunities and utilize new technologies in a better way. Hence, learning orientation, through enhancement of data attraction capacity in an organization, influences market adaptation-development, production flexibility and innovation. Such a learning orientation, which plays an important role in attracting data in the dynamic capabilities perspective, is often seen in the organizations where manager tends to take advantage of entrepreneurship. Therefore, presence of entrepreneurial view is an effective and boosting factor among dynamic capabilities of an organization.

In this study, the ideas of Zollo and Winter (2002), Teece (2009) and Bowman and Ambrosini (2003) were taken into consideration. They recognize dynamic capabilities as the result of organizational learning capabilities, which form and modify operational capabilities.

Easterby-Smith and Prieto (2008) address that dynamic capabilities are resulted from learning mechanisms and organizational knowledge resources which stimulate dynamic capabilities. As mentioned in the introduction, the present study tries to investigate competitiveness of firms from dynamic capabilities perspective from which knowledge resources and intangible assets are originated. Previous models of competitiveness have not been presented with this vision. Accordingly, Srivastava, Fahey and Christensen (2001) also divide market-based intangible assets into two categories: relational and intellectual properties which can constitute dynamic capabilities. Also, in any industry a certain set of capabilities are dynamic (e.g. study of Mexican export companies, manufacturing companies in emerging markets, and oil companies in the United States in Rodriguez et al., 2013; Malik & Kotabe, 2009; Helfat, 1997). Thus, in this study food industry has been considered as a contribution to the research.

Also, another gap mentioned is lack of clarity regarding the role of organizational and environmental factors in entrepreneurial export behavior. Therefore, analysis of economic and performance impacts of the export entrepreneurship is imperfect (Zahra & George, 2002). Additionally, as mentioned above, the higher entrepreneurial exports, the higher performance and strength of competitiveness in international markets (Man & Chan, 2002). Given the addressed research gaps here, the present study aims at answering the following research questions:

Research Questions

The main question here would be as follows:

- What is the competitiveness development model for food exporting SMEs?

In order to answer the main question with regard to the systematic approach presented by Strauss and Corbin (1998), the following sub-questions would be explored as well:

- What are the causal conditions effective on SMEs' food exports?
- What are the intervening conditions effective on SMEs' food exports?
- What are the contextual conditions effective on SMEs' food exports?
- What is the central phenomenon of SMEs' food exports?
- What are the results/consequences of export competitiveness of food exporting SMEs?

Methodology

The nature of this study is qualitative and the method of Strauss and Corbin (1998) was selected in order to deeply investigate and design a competitiveness model of exporting firms in the food industry of Iran. With regard to the purpose, the present study is a developmental research by nature because no competitive model for manufacturing companies is presented from entrepreneurial exports and dynamic capabilities perspective. Also, dynamic capability perspective is a developmental version of human resource perspective that the most of the competitiveness model are based on it as mentioned.

Sampling and statistical population

Since the research is not concerned with statistical generalizability and aims for a deep understanding of the phenomenon, According to Guest, Bunce and Johnson (2006, p. 61), a non-

probabilistic purposive sampling strategy is used. 20 informants in the food sector and from export-oriented food SMEs in Iran are identified and interviewed to obtain theoretical saturation.

Experts were selected based on their level of experience in the sector, their position in the leading exporting food SMEs, having a theoretical understanding of the subject, and their agreement to participate in the study. Finally, 20 experts in Iranian food SMEs were interviewed nominated within 20 Iranian premier export firms and selected as premier entrepreneurs and industrial champions named by Iranian ministry of industries.

Reliability and validity

In the words of Creswell (2007), the qualitative researchers should use at least two solutions in order to enhance validity of their researches in each study. Our solutions were pluralism, assessments of the members, participatory research, peer assessment and prejudices discard. Hence, the following actions were taken accordingly:

- *Assessments of the members*: the experts offered their comments on the research report and the results were reviewed and revised accordingly.

- *Partner's assessment*: the ideas, models and categories were shared with five academics in the field of marketing and their ideas and comments were used to strengthen the research results.

- *Participatory research*: the participants (particularly those with related and high education/experience) were asked to assist coding, analysis and interpretation of data in order to enhance validity of the research.

- *Pluralism*: Pluralism in the present study includes spatial diversity and plurality of participants. The former was conducted by interviewing with managers from different companies while the latter was actualized by interviewing with the employees from different organizational levels and functions including managing director, sales manager, advertisement and communications manager, marketing/exports manager, R&D manager, manufacturing/engineering manager, commercial manager and marketing expert.

Reliability of the present study was controlled through preparation and utilization of a structured framework for interview. Moreover, the following solutions were used to ensure the accuracy and reliability of the data: (a) data collection from several databases approves reliability of findings, for example interview with managers and professionals; (b) the reliability is enhanced by permanent comparison of data, a permanent comparison was conducted between diverse categories, events, contexts and individuals and in the second stage, questions regarding the relation between components, the nature of variables and the validity of the conceptual model, and (c); the researcher prevents from using initial hypotheses for making conclusion.

Data analysis

In this study, the systematic approach presented by Strauss and Corbin (1998) was used and data collection and analysis were conducted concurrently (Straus & Corbin, 1990). Thus, the datasets resulted from interviews were categorized into three groups including open coding, axial coding and selective coding. The above-mentioned coding styles are the main steps for theory formation and the way of using them is elucidated as follows:

Open coding

In open coding, the researcher names the categories with an open mind and considers no constraint for the number of codes and categories. In this study, open coding was conducted after interviewing and writing the relevant data using the MAXQDA software Ver.10. Finally, a total number of 250 open codes were recognized and defined without elimination of similar and unrelated items.

Axial coding

Strauss and Corbin (1990) define axial coding as “a set of procedures whereby data are put back together in new ways after open coding, by making connections between categories. This is done by using a coding paradigm involving conditions, context, action/interactional strategies, and consequences” (p. 96). The purpose of axial coding is the integration of data that has been obtained from open coding. In axial coding, one of the categories of open coding is selected as the main category (central phenomenon) and is placed in the center of the model, then the other categories (subcategories) are associated with it. For axial coding, according to the systematic approach of Strauss and Corbin (1998), categories of open coding were grouped into these main categories: causal conditions, strategies, context, intervening conditions and consequences. Figure 1 indicates the relations between the main components resulted from axial coding on competitiveness development model of manufacturing firms in entrepreneurial exports.

Optional coding (Theorization stage)

In this step, the researcher tries to create a big picture and tell a story by making a relationship between categories (Danaeifard & Emami, 2010). The model to develop competitiveness in entrepreneurial exports was addressed and presented according to (a) dynamic capabilities: considering intangible resources and organizational knowledge from which organizational dynamic capabilities are originated as well as three steps including opportunities identification, opportunities seizing and resources reconfiguration to cope with threats (Teece, 2009); and (b) international entrepreneurship theory: considering diverse effective factors on competitiveness development other than the firms.

As shown in Figure 1, the causative conditions, including intangible resources and organizational knowledge, can be effective to strengthen dynamic capabilities for resources reconfiguration and coping with threats in international markets. It may include entrepreneurial orientation, internal-market orientation, learning orientation, manager competencies and abilities, external-market orientation and networking capability which provide the required conditions for deployment of configuration as a dynamic capability in the organization. Such capability which includes market flexibility is grown and evolved over time according to causal conditions and leads to the development of exporting markets. The strategies of export market expansion of Iranian food SMEs include mainly two types of strategies: (a) blue strategy: entering non-specialized markets with low legal and competitive entry barriers and geographically close countries, and (b) red strategy: entering export markets with higher level of market structure and competition. Along with such growth and development of exporting markets, the firms are aware that for development of

their export activities and survival in dynamic international markets, they need to pay more attention to causative conditions and dynamic capabilities as the underlying factors- including governmental assistances, economic and political diplomacy, exports culture building and plan-oriented facilities- in order to help strengthening dynamic capabilities and thus developing export markets. In addition, the firms state that there are also some intervening factors which prevent development and survival of dynamic capabilities and encompass the micro-environment of the selected market for business. Also, macro-environment and the distances between origin and destination countries should be taken into consideration as two intervening factors and obstacles to preferences of the exporter to enter the desired market and even to select a new market. Hence, given the mentioned underlying factors, impact of such factors, which are an obstacle to develop exporting activities of the firms in food industries, can be decreased to some extent. Ultimately, given the causative conditions, the intervening and underlying factors as well as axial category were identified. The consequences of this model for a firm and its competitiveness development in international markets include willingness towards international/foreign investment, market development, and quicker entrance to the market, and increased value-added of the company.

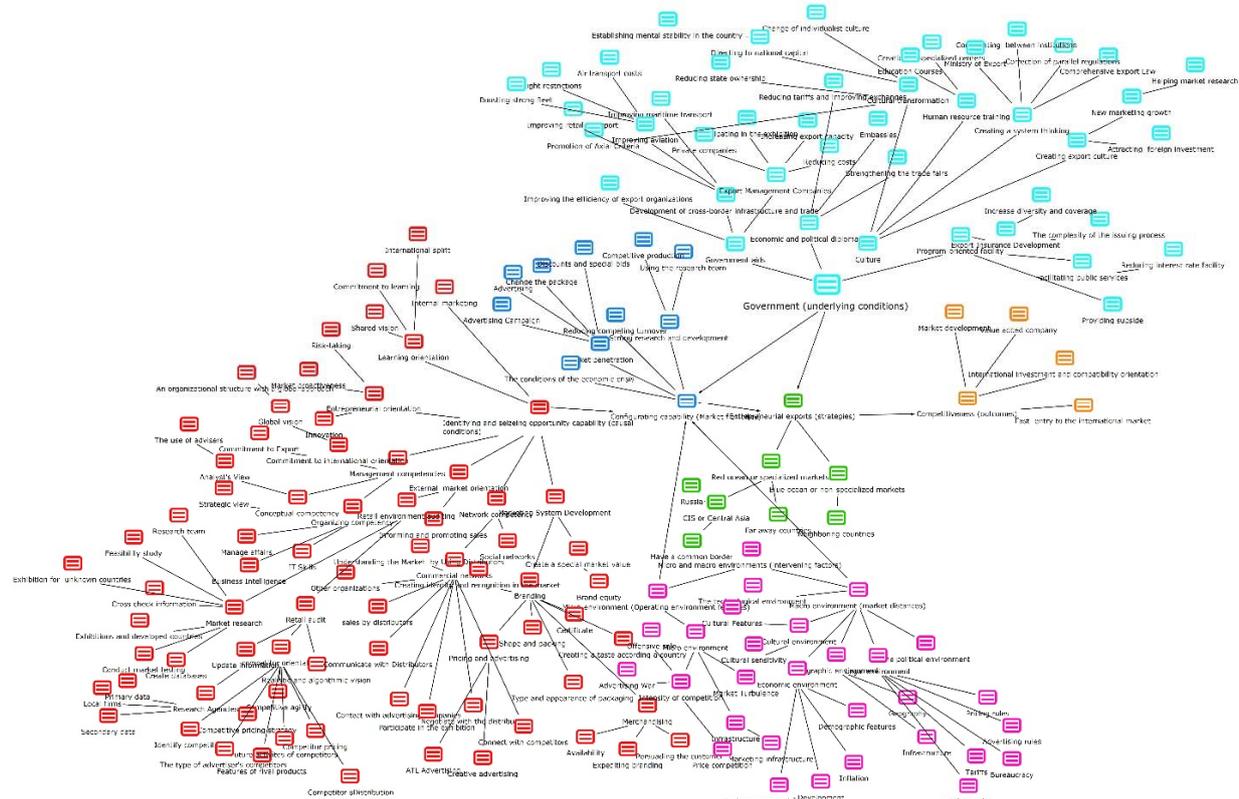


Figure 1. Encoding the model of competitiveness development in entrepreneurial export with Sub codes

Results

The details of the three-step coding are presented in detail in this section.

The capabilities for identification and seizing of international opportunities (causal conditions): The causal conditions are the conditions that affect the axial category. The results of the interviews with the participants, based on the dynamic capabilities perspective, have recognized the capability of identifying and seizing international opportunities as a causal condition. The capabilities to identify and seize international opportunities (causal conditions) often include marketing system development, entrepreneurial orientation, internal-market orientation, learning orientation, manager competencies and abilities, external-market orientation and networking capability.

Entrepreneurial orientation: experts mentioned risk taking, innovation and market proactiveness are known as three important and effective dimensions of entrepreneurial orientation:

“Our firm is actively looking for and exploiting opportunities for sale in international markets. In addition, the organization tries to allocate resources for market research both in the markets that we are currently active in and in choosing a new market for entry.”

“Our firm focuses on the development and diversification of products in a way that tries to use new technologies and improve their products. In fact, the focus of the firm is on the development of the current product and its improvement, or the production of various innovative new products.”

Learning orientation: commitment to learning was recognized as a dimension in the causal condition of the model, which can be effective in identifying opportunities and seizing them internationally. This category includes three dimensions of shared vision, learning commitment and international spirit.

“It is always stressed in the organization that we should look for new things and innovations. Hence, within the company, the dynamic spirit is dominant, and all sectors are constantly seeking to update themselves.”

“Our organization tries to make the objectives clear for all employees. Also, the manager tries to determine exactly what we are looking for and the goals of the units are aligned.”

Manager competencies and abilities: interviews revealed that a manager/owner competencies have a critical role in internationalization of the firm. Competencies include three dimensions: organizational competency, conceptual competency and commitment to internationalization. Organizational competency indicates the ability to lead, control and organize internal and external resources of the firm. The conceptual competency includes two dimensions, namely strategic and analytical competencies. Strategic competence expresses the entrepreneur's ability to use planning skills to perform with a strategic mindset. Analytical competence reflects the entrepreneur's ability to develop cognitive and analytical thinking, to learn, to make decisions and to solve problems systematically. This competency unlike the strategic competency is associated with short-term events and solving instant problems.

“Personal competencies and skills of senior managers are more important than organizational capabilities in SMEs. Organizations such [...] company have grown much

faster because of senior managerial skills. Because they had the education and experience necessary to grow the organization's capabilities."

"Manager tries to determine the orientation of the organization in foreign markets with the help of consultants. Also, foreign consultants and experts help him to improve the quality and the variety of the product".

External market orientation: International market orientation was extracted from the interviews, which included two dimensions: retailing environment audit and market research. Retailing environment audit provides a systematic assessment of the firm's retail efforts in a new market. It can be very useful for identifying the market trends, sales analysis, competition analysis, and help the firm to quickly capture the opportunities in the new environment. Market research refers to the collection of information about the target segment. It should be done before entering a market in order to study the probability of market success and then the firm can whether to enter a market or not based on such research.

"It's better to specify our strategic group in a market, that is, to identify who is our competitors, what are their features and strengths. In other words, we do a feasibility study."

"For success in the market, a company should initially achieve a recognition of target market and its characteristics. Specifically timeline and costs are important such as the time it takes to products reach the border and to put into shelves of a shop such as custom tariff, transportation costs and distributors' commission. Also, it is important to identify unofficial barriers, mafia like networks, in the destination markets."

Internal market orientation: The fifth dimension of the capabilities for identification and seizing of international opportunities is internal market orientation. Firms have to develop their relationships not only with foreign customers but also with employees and consider them as their suppliers and customers. The use of internal market-orientation, in addition to the external market-orientation in the organization, makes the knowledge not only limited by the type of information which is obtained from the external environment, but also it includes the information of internal environment. This focus on internal factors and the transfer of information in the internal market (organization) facilitates relationships and establishes closer relationships between sectors, which could lead to better relations and performance in export markets.

"The company emphasizes to keep its skilled employees with higher salaries compared to competitor and similar companies and tries to pay attention to their needs at all areas."

"The organization's management tries to create different training classes for employees. These classes are usually tailored to the needs of the staff. Also, the company promotes the sense of trying to be better in the minds of employees."

Another dimension of marketing system is the creation of brand equity in the market.

Brand Equity: Successful firms focus on brand equity in the export markets targeting customers and distributors.

"The companies would better to use mass advertisement or ATL to represent their brand at the beginning of entrance to the market. It is a type of branding and long-term investment for the company. This advertisement should be creative and distinctive to be able grabbing customers' attention against powerful brands. Another effective item on the market attraction is to consider product arrangement and use merchandiser since it considerably causes to encourage the customer to buy and make communication with them. Merchandising is actually a supplementary and supporting action for advertising activities."

"We try to work in a market with decent and reliable distributors and offer them the right margin so that they become loyal to the firm. We are trying to provide our core customer needs in the area of our business and provide a complete package in the market so that customers are not attracted to competitors".

Networking competency: the ability to networking with two dimensions of commercial and social networks is one of the causal conditions for identification and seizing of international opportunities. Entrepreneurs need information, capital and resources to start an activity in an unknown market. Since often they do not possess enough resources, most of their resources are compensated through their network. The network can be built as a result of business relationships with suppliers and distributors, or as a result of the creation of social relationships with government agencies in the country of origin or destination.

"One of the ways that, in my opinion, can be very effective in the success of small companies in exports, is the formation of an export consortium, since it has many benefits in terms of reducing costs for entry, for example, they can participate as a group in exhibitions and this reduces their costs. In other words, creating an export consortium for small companies can have a resource-leverage role, which means they can achieve a better status through combining existing resources."

"To succeed in any country, you first need to try to identify an appropriate distributor, and enter into negotiations with them for cooperation, because these distributors, due to familiarity with the market will decrease mistake rates and waste of time for the market entrance. In addition, after some time working with them, we can become better acquainted with the new channels and businessmen and enter a more dynamic stage and develop our market."

Reconfiguration capability (Central phenomenon)

Teece (2009) presents a process-oriented perspective to dynamic capabilities. In doing so, the capability to realize and sense the opportunities includes the analytical systems for learning, sensing, filtering, forming and regulating the opportunities. Since the dynamic capabilities were internationally investigated here, the configuration capability means capability of the organization to encounter threats in exporting markets and configuration of the resources in order to penetrate in such markets. Consequently, given the results of interviews and coding them, the market flexibility was recognized as a reconfiguration capability which is used upon entrance of competitors and

sensing threat from their side. In this case, the organization should try to survive in the market by reducing the competitors' turnover and getting a better knowledge of the markets and customers' needs as well as concentrated advertisement. So far, a plethora of studies have been conducted on configuration capability and the corresponding effective factors, however, they have seen configuration capability as some organizational processes and structures to achieve a valuable and new composition of the resources, reaching sustainable competitive advantage in different environment. Nevertheless, the configuration capability was considered in our context to manage organizational resources in exporting markets in order to cope with threats.

“When a new competitor enters the market and is a serious competitor, it is better to use pricing strategies and try to reduce the cost of marketing, for example, to reduce cost or to make our ads more limited and targeted, and to use below the line (BTL) ads. In critical situations, packaging and formulas are the last options to change.”

“We should try to reduce the competitor's turnover, because if a company does not have a turnover for three months, it cannot survive in the market, and launching a promotional campaign with special discounts can be useful for this purpose.”

Governmental actions (contextual conditions)

Historically, governments always have incentives to export, whether in the form of export incentives or in the form of establishing various institutional support programs such as facilitating access to finance and insurance. Food industry exports frequently referred to the role of government in exports considered it as the contextual conditions which can facilitate and promote the export.

Government aids: One of the dimensions of the governmental actions is plan-oriented facilities such as subsidies, export incentives and insurance.

“Some commodities, such as milk and dairy products, do not have competitive price because many countries are giving subsidies to local farmers and, as a result, their prices are lower. Therefore, it is imperative that measures be taken to equalize prices internationally. Hence, facilitating governmental spending on advertising, production, and export subsidies is one of the factors influencing competitiveness of Iranian products.”

The culture building: The second dimension of governmental actions is cultural setting such as development of export culture, creation of system approach among practitioners of export and human resource training and cultural transformation.

“The government must try to create a culture of export, for example, the culture of business in our country is individualist action and avoiding joining other companies. But the main factor for success in export is the formation of export associations or collective actions by similar companies.”

“The volatility of the government's economic policies is very high. In the past several months, various foreign exchange regulations have been issued. Therefore, it's better to have a comprehensive export law that is unchangeable for at least a limited time.”

Attention to economic policies and diplomacy are two other dimensions that are extracted from interviews.

“Iranian embassies in most cases do not allow producers to have meetings with them while it can play an important role in marketing of Iranian products. They can connect us to suppliers, distributors and private companies in Europe.”

“The shortage of packaging, modern technology and transportation infrastructures are serious problems in food industry. For example, aviation and marine transportation, proper facilities for transporting frozen products does not exist. ”

Micro- and Macro environment (Intervening factors)

The companies need to recognize environmental aspects and export markets to operate in global markets. Micro environment is one of such aspects, which here means specifications of the market in operation. Such items as the market turbulence and competition severity can influence organizational exporting activities. Accordingly, in case of exporting from developing countries to developed countries, the companies would invest more heavily in their resources and operations to meet customers’ needs in destination markets since they perceive a lower level of predictability in the market.

During the internationalizing process, selection of a suitable market for business is an important decision which can give determine the long-term success of the exporting company. These factors are effective on selection/prevention of a market to operate in reference to the differences between target market and local market in macro-environment. These factors indicate the obstacles which prevent data exchange between the company and target market while data exchange is a requirement for success and suitable operation in a market. In this study, two dimensions of micro and macro environment were extracted from interviews.

“Competitive atmosphere in an industry and its marketing infrastructure, such as the presence of market research firms, competent distributors, skilled advertising companies, etc., can be very effective in the success of a firm. Such atmosphere can develop the market activities and confront the particular threats such as the entry of new rivals.”

“In choosing a country, foremost, it is important to look at macro factors such as the political environment and the political relations between two countries. These factors have a significant direct impact on the business. Also, it is very effective in obtaining necessary permits to operate in the export country. For example, if our political relations with Russia are unsuitable, our trade relations with Russia will not be successful either.”

Entrepreneurial exports (strategies)

In interviews, food exporting SMEs addressed two types of countries for operations and development of exporting activities, namely, blue countries or non-specialized markets and red countries or specialized markets. The former refers to the countries with better and suitable conditions for primary entrance to exports while the latter pertains to the countries which are more specialized, with a higher level of competition more barriers to entry and require higher level of efforts and time to enter. Red countries would better be targeted by a firm at the next steps with more exporting experiences.

“Countries like Iraq and Afghanistan, which are do not have a strong legal and competitive institutions might be selected for initial entry. They do not require a systematic, accurate strategy for entrance and they also lack strict rules and monitoring. The Gulf Cooperation Council (GCC) do not have direct borders with the country; on the other hand, their taste is close to Iran, and by obtaining licenses such as the Halal Certificate, it is possible to import commodities to these Islamic countries, which are considered a good market for food industry”.

“Countries such as CIs and Central Asia have more specialized market. Because of their proximity to northern Iran, they are areas that are suitable for export, but it should be noted that the laws are very rigid and the legal problems that a firm faces are more. Thus, firms should have a long-term strategy in these countries, for example, it took about one and a half years to get the export license to Russia for our company.”

Exports competitiveness (Consequences)

After examining the interviews and obtaining the codes and with regard to the dimensions of the export performance, several indicator were identified for assessing competitiveness at the firm level: market expansion (e.g. the amount of export, the number of international markets), flexibility and compatibility (e.g. aligning the product with the taste of the target segment in the foreign destination country), fast entry to the international market and

“Our firm has been trying to develop strategies for its export markets over the past few years and has increased its export products. In fact, it can be said that the main focus of the company is on the development of exports and increasing the compatibility and flexibility of the export markets, and exports are considered as the future prospects of our firm.”

“Export is the first priority of our firm, especially in the last five years. We are trying to find out and enter new markets faster than competitors. Thus, expanding the size of our markets and increasing the number of export markets is one of the main goals of our firm while we are trying to achieve and increase our export activities.”

Discussion & conclusion

Most of the research on competitiveness is from a resource-based perspective that is a static viewpoint. Therefore, in this study, we used dynamic capabilities perspective which assumes changes in the resources. The existing research using the dynamic capability perspective is more about multinational corporations and in developed countries. Therefore the context of our study, small and medium-sized enterprises in Iran, is a new context. Furthermore, with attention to the gaps in the literature of the subject and the fact that in any industry a certain set of capabilities are dynamic (e.g. study of Mexican export companies, manufacturing companies in emerging markets, and oil companies in the United States in Rodriguez et al., 2013; Malik & Kotabe, 2009; Helfat (1997) it is justified to consider studying of a new industry as a contribution to the research.

In this research, dynamic capabilities have been identified with the three-stage view of Teece (2009) in the food SMEs in Iran aiming to enter international markets, which include seven capabilities: (a) entrepreneurial orientation, (b) learning orientation, (c) managerial competencies, (d) Internal and external market orientation, (e) market positioning and (f) networking capabilities

and (g) market flexibility. On the other hand, in this research, we seek to provide a model for the development of the competitiveness of Iran's food industry enterprises. To this end, we have used a three-stage model of competitiveness in firm level that includes potential, process, and performance. Potential includes the factors that a business needs to compete successfully in a market, which includes dynamic capabilities dimensions (entrepreneurial orientation, learning orientation, managerial competencies, internal and external market orientation, market positioning, network capability and market flexibility) and the characteristics of the environment (micro-environment) and market distance (macro-environment) and governmental actions (culture-building, plan-oriented facilities, government aids, and economic policies and diplomacy). Processes represent strategies that will help a business achieve its goals, including reconfiguration capability (market flexibility) and entrepreneurial exports. Eventually, performance that includes three dimensions of finance, non-financial and general.

Unlike other researches such as, Utami and Lantu (2014), which have developed a competitive development model based on a three-step and resource-based perspective, this research has tried to focus on the dynamic capabilities required at each stage so that the company can adapt faster than competitors to the environmental in international market changes. Because in the current world of business, the speed and agility of identifying and seizing opportunities and adapting/confronting the environment is a prerequisite for profitability and success. On the other hand, as it was stated, this research uses international entrepreneurship theory, it means the model of competitiveness development with attention to the internal and external factors of the organization has been presented. For this purpose, we interviewed with managers and export experts of successful manufacturing companies in the Iranian food industry. Finally, codes were extracted from these interviews. Additionally, entrepreneurial exports and factors affecting it both inside and outside of an organization is a research gap in international entrepreneurship. This study has been attempted to identify these factors and help companies to strengthen themselves to identify export opportunities and entry into International markets quickly.

The model, derived from qualitative analyses is presented in Figure 2. As shown, organizational knowledge and intangible resources which compose the dynamic capabilities to identify and seize opportunities- including entrepreneurial orientation, internal market orientation, learning orientation, manager competencies, external market orientation and networking capability- can influence and strengthen resources reconfiguration (market flexibility) and consequently enhance entrepreneurial export capacity. Meanwhile, the initiatives and policies of the government including culture building, economic diplomacy and policies and organizational support can enhance conditions for entrepreneurial exports. In addition, the micro- and macro environments were identified as intervening factors on relationship between opportunity identification and resources reconfiguration. Thus, as mentioned in the literature and according to the model of Bukly et al. (1988, as cited in Man & Chan, 2002), Management Development Institution and World Economic Forum (2004), competitiveness is not a simple list for measurement.

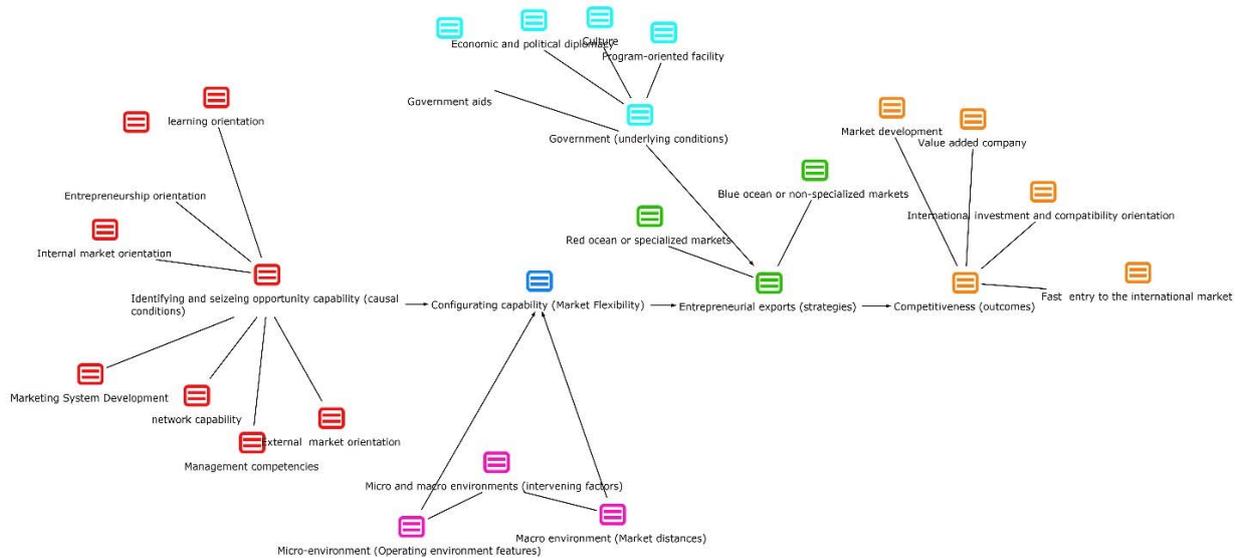


Figure 2- The model of the qualitative research

In order to distinguish the contribution of this research, some existing similar model are identified and summarized in Table 1. Then, the distinctions between the present study and existing model are briefly addressed in Table 2.

Table 1. The focus of former studies about competitiveness and comparison with present study

Author(s)	The focus of study	Results or objectives
Powell (2001); Kundesen (2003); Drejer (2004)	Division of competitiveness creation resources from economic aspect	Competitiveness resources are divided into three groups from economic aspect: Monopoly interests, Rickardian's interests, and Schumpeterian's interests.
Porter (1990)	Analysis and measurement of nations competitiveness and grouping them	Porter's diamond model addresses five effective factors on competitiveness level: internal factors, demand conditions, supporting industries, strategy, structure and competition, government and chance.
Clark (2000)	Determination of effective environmental factors on business competitiveness	Division of effective factors on business competitiveness into eight groups: resources environment, public sector, financial resources, macro economy, international environment, population, politics and technology
Imanirad (2001)	Determination of effective environmental factors on competitiveness	Division of effective factors on competitiveness into five groups: macro-economic performance, political stability, government capabilities, government commitments, private sector capabilities and its relationship with the government
Imanirad (2000)	Presenting a strategic competitiveness model in current competition environment	This model indicates that, in present competition environment, the mere attention to old resources such as labors, capital, etc., will result in inefficacy. Hence, the firms need to consider a set of axial resources, capabilities and competencies to make a unique position.

Hamalinen (2003)	Presenting a model for effective factors on the firm's competitiveness	These authors divide the effective factors on competitiveness into seven groups: sources of production efficiency, technology, institutional arrangements, characteristics of the market, international trades, institutional framework and the role of government
Hooley & Saunders (1993)	Presenting a model for competitiveness according to marketing assets	They divide marketing assets into three groups: customer-oriented assets, network-oriented assets and internal assets
Prokopenko (2000)	Presenting a model for industrial competitiveness	Prokopenko (2000) recognizes industrial competitiveness as the result of interaction between four factors: meta, macro, meso and micro.
Porter (1985)	Presenting a model for the firm's competitiveness based on internal factors	In his model, Porter divides the firm's activities into two groups of main and supporting activities which can be effective on competitiveness of the firm.
Waterman, Peter & Phillips (1980)	Presenting a competitiveness model according to organizational internal factors	This model addresses 7 factors (McKinsey model) as effective ones: structure, system, common values, strategy, management style, employees and skills
World Economic Forum (2004)	Presenting a model to classify the countries in light of competitiveness	In the words of this institution, the effective factors on competitiveness include globalization rate, economy openness, domestic economic conditions, governmental policies, financial institutes including their size and transparency, physical-economic infrastructures including environment and energy, competitiveness management, technical capacities and technology, and finally human resources including skills and education levels, employment, working hours, welfare and social services, quality of life and positive attitudes towards job.
Chao & Kim (2007)	Presenting a model for competitiveness according to Porter's model	Chao and Kim (2007) address a model for competitiveness according to Porter's model and divided Porter's internal factors into two groups of physical and human ones.
Shurchulua (2002)	Presenting a model for competitiveness at the firms' level	In Shurchulua's model (2000), organizational processes and assets are considered as effective factors on firms' competitiveness
Utmai & Lantu(2014)	Presenting a development competitiveness model for small-medium enterprise among the creative industry	These researchers conducted their research based on a three-stage model of competitiveness model in firm-level that included potentials, processes, and performance. Also, this study was based on resource based perspective. In this research, potential includes internal capabilities (HR capabilities, financial and creativity) , the external environment (public, competitive and supportive environment), manager / owner characteristics and company characteristics. The process involves both operational and growth strategies; performance also includes two financial dimensions (market and asset performance) and non-financial (product quality, customer satisfaction, and market development).

The present study	Presenting a model for competitiveness development of entrepreneurial firms in entrepreneurial exports	<p>In the present study, according to dynamic capabilities perspective, a model for firm competitiveness at the firms' level was presented. The analysis results showed that organizational intangible resources- including entrepreneurial orientation, internal market orientation, external market orientation, learning orientation, manager competencies and networking capability- can make up opportunities identification and seizing capability among export firms. Given the mentioned aspects, this variable can be effective on the firm's configuration capability to encounter threats of international markets and consequently leads to the improvement of organizational strength and develops foreign markets and enters new markets. Besides, the higher capabilities of the organization for entrepreneurial exports, the higher competitiveness strength. Thus, internationalizing the organization is the beginning action for competitiveness. In this regard, the government can be effective on entrepreneurial exports while such factors as environmental specifications and the distances/differences between origin and target countries can affect the abilities of a firm to deal with threats and configure resources in international markets.</p>
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As indicated in Table 1 and Table 2, the existing models are either presented at a level other than firms or are based on physical factors at the organizational-level. Besides, they have a static viewpoint on competitiveness and do not include organizational capabilities to encounter threats. Hence, the present study tried to present a model according to *dynamic capability perspective* based on *intangible* organizational resources. Furthermore, it is stated in the literature that the concept of dynamic capabilities in each industry is obscure. In this study, dynamic capabilities have been examined in food industry in a developing country.

Table 2. Comparison of proposed model components with firm-level competitiveness models

Main components and perspective	Clark (2000)	Imanirad (2000)	Hamalainen (2003)	Hooley & Saunders (1993)	Porter (1985)	Waterman et al. (1980)	Chao & Kim (2007)	Shurchulua (2002)	Utami & Lantu (2014)	Present study
Tangible resources			*	*	*	*	*	*	*	*
Intangible resources		*		*	*	*	*	*	*	*
Environmental factors	*		*				*		*	*
Government	*		*				*		*	*
Perspective	Static	Static	Static	Static	Static	Static	Static	Static	Static	Dynamic

Internationalizing is the first step towards competitiveness and few studies have examined opportunity identification phase of internationalization. However, there are some studies on identifying and recognizing opportunity in domestic markets. Besides, an alignment is currently

seen between literatures of entrepreneurship and internationalizing, nevertheless, few studies have been conducted based on opportunity identification at international level (Shariatmadari, 2012). Hence, recent studies on international entrepreneurship focus on “opportunity” and the way of international opportunities discovery and utilization by entrepreneurs or entrepreneurial exports.

As discussed above, in this research, we are looking for a model of firm competitiveness from dynamic perspective in international markets which focuses on identifying and seizing opportunities. Therefore, the presented model can be compared with those presented at international entrepreneurship area as presented in Table 3.

Table 3. Comparison of former studies on international entrepreneurship and present study

Author(s)	The research focus	Results or objectives of the research
Navaro-Garcia et al., (2015)	The factors influencing entrepreneurial export and the corresponding consequences	In their model, two groups of factors- including internal and external factors- are effective on entrepreneurial exports. The internal factors include managers’ personal specifications and organizational capabilities while the external ones include markets distance and competition severity in the target country which respectively have positive and negative impacts on entrepreneurial exports. Also, the exports performance is considered as a consequence of entrepreneurial exports.
Zahra & George (2002)	the effective factors of international entrepreneurship	Three groups of factors- including organizational, strategic and environmental- are effective on the firms’ international entrepreneurship while strategic and environmental factors play a moderating role.
Jones & Coviello (2005)	Presenting a model on international entrepreneurship from behavioral perspective	In their model, the variables associated with entrepreneur and firm specifications are effective on the performance.
Taylor (2013)	Impact of market development rate and environmental specification on the firms’ international activities	Taylor states that the higher international entrepreneurship orientation in an organization, the higher willingness toward international trades development. Beside, environmental specifications of the origin country are effective on export activities success of such firms.
Zolfaghari, Criado & Nowinski (2013)	Presenting a model for international entrepreneurship at organizational level	In their model, capabilities, organizational learning capacity, networks and presence of entrepreneurial orientation are argued to be effective on export performance of a firm. In addition, environmental factors and competitors’ strategy can influence the relation between organizational factors and export performance.

The present study	Presenting a model for the firms' competitiveness development in entrepreneurial exports	This viewpoint of dynamic capabilities has been presented in a way that 7 aspects of organizational resources- including entrepreneurial orientation, internal market orientation, external market orientation, learning orientation, manager competencies and networking capability- can make up opportunities identification and seizing capability among entrepreneur and premier export firms. The opportunities identification and seizing capability can also enhance organizational market flexibility and the willingness to entrepreneurial exports. Increased competitiveness at the firms' level (entrepreneurship performance) is a consequence of entrepreneurial exports. In this regard, the governmental actions can provide the necessary conditions to increase organizations' orientation towards export activities development while such factors as environmental specifications of the desired market and markets distances can have positive/negative impacts on organizational flexibility in the market and consequently on entrepreneurial exports.
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According to the model derived from the present study, the following items are proposed which can improve the firm competitiveness in Iranian food SMEs. These suggestions have been categorized in three groups:

- The first group of suggestions is on firm-level and about entrepreneurial orientation and market-orientation for Iranian firms in food industry. Firms should try to strengthen the entrepreneurial orientation in the light of the three dimensions: risk taking, innovation and market proactiveness in Iranian food industry. Boosting this feature can be effective in triggering the three-dimensional process of dynamic capabilities. For this purpose, managers in these firms should develop their competencies such as benchmarking of international firms' production and marketing methods or successful firms in international food industry or target market, recruitment of local employees for market research and use of local consultants for market development and penetration as stated by Gil-Pechuan et al. (2013). Another way for enhancing competitiveness is increasing the level of market orientation in the firm through creating the ability to market research and audit retail environment in the destination country. Also, another competency which can be argued to be effective in strengthening position of the firm in international food markets is a marketing system development that encompasses two aspects including branding and brand equity. The former is achieved through use of merchandizer and creative ads. The latter is created for customers by providing a complete package and for distributors through appropriate packaging, determining the suitable margin of profit and managing relationships with distributors. Similar suggestion made by Ibeh and Wheeler (2005) in the context of export and having a resource-based view.
- The second group is about enhancing firms' international flexibility and increasing the ability to respond to changes and environmental uncertainties of food industry in target markets. The firms need to have a strong R&D team and need to be able to change their production according to changes in the market, that is, flexible production. Additionally, they are required to first use marketing techniques such as customized advertising or BTL, distinctive packaging, and extending distribution coverage to reduce competitor's turnover, and in case of not resultant, they should produce and modify the product.

- The third group is about the government capability to provide the required potentials for SMEs competitiveness development in food industries. Firstly, authorities can strengthen organizations and associations related to entrepreneurial export-oriented food firm which would lead to effective communication and joint efforts that lead to cost reduction in international markets. In addition, it will engage exporting companies in the process of policy-making for food products. Secondly, by building a systematic attitude for exporting by eliminating overlapping regulation parallel institutions and establishing coordination between export organizations such as the Export Development Center, Export Fund, Export Insurance; and thirdly, by investing in infrastructure for processing of the food industry, authorities can assist food SMEs to gain competitiveness.

For future studies the following subjects can be interesting: Conducting similar exploratory studies using other qualitative research strategies to validate the model for the academic community and pay more attention to policy making in food industry, conducting the present study in other sectors and comparing the different paths toward competitiveness at global level. The food industry includes a variety of fields such as beverages, dairy products, canned food, and more. Hence, the proposed model is a general model for Iranian firms (SMEs) in international food market, which provides a general overview of the capabilities and capabilities needed to succeed in exporting. Thus, a detailed review is required for use in any field in the Iranian food industry. Furthermore, the novelty of dynamic capabilities concept and existence of such different terms and concepts as capabilities or procedures, resources, processes, learning, competencies in this field have caused some confusion. Although few attempts have been made to connect and integrate these concepts, this confusion still exists and is considered as one of the criticisms in this area. Therefore, enthusiasts of strategic domain and other management areas can provide an integrated models for the coherence of these concepts by performing a meta-analysis on dynamic capabilities.

Limitations

Since the present study is one of the few studies carried out to find a model for developing the competitiveness of SMEs from the dynamic capabilities perspective and has been conducted only in the food sector, it is not possible to generalize its results to other industries. Therefore, in order to assess the reliability and increase the construct validity of our findings, this study should be carried out in various industries, especially companies with industrial and service marketing, or it should be validated through survey research.

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Conflict of Interests

No, there are no conflicting interests.

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