Differentiation Strategies of Latin America High Value Added Agribusiness Firms

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Abstract

This paper examines the strategic choices of Latin America high value added agribusiness firms that implement differentiation strategies. Using systematic primary data gathered through surveys with companies in several countries, we investigate the strategic initiatives of companies that implement differentiation generic strategies. We use five dimensions, to wit, management quality, innovation capabilities, operations skills, marketing skills, and firm scope. The results confirmed differences among firms implementing differentiation strategies in terms of the use of these five components. In particular, innovation capabilities and marketing skills emerge as the most significant.

Keywords: Differentiation strategies, High value added agribusiness firms, Latin America, and Emerging Economies
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Introduction

Strategy at the strategic business unit (SBU) level is defined in terms of a clear strategic direction and positioning. Key direction components include vision, mission, and strategic objectives. Positioning is determined by defining where and how the company competes. Where, relates among other things, to market segments the company serves, the firm’s line of products and services, geographic scope and business scope - horizontal or vertical integration and diversification (Brenes and Mena, 2003). How, has to do with the type of generic strategy the company uses to compete (Brenes and Mena, 2003; Porter, 1985; Porter 1980).

Agribusiness firms have traditionally competed on the basis of price in domestic and international markets. One of the main reasons has been the difficulty to differentiate agricultural products in markets. Low prices without low costs doom companies to either continuous low profitability in the long term or disappearance. Consequently, to compete successfully most of these companies base their positioning on low-cost strategies. Porter (1980; 1985) has pointed out the existence of three kinds of generic strategies, to wit, cost leadership, differentiation, and focus. Over the years these three generic strategies have been consolidated into two basic strategies, cost leadership and differentiation, which means that focus generic strategy is actually complementary and can be obtained in both cost leadership and differentiation strategies (Brenes and Mena, 2003). It also has been shown that companies should seek to focus their activities primarily on one or another generic strategy, either differentiation or cost leadership. Being stuck in the middle does not create competitive advantage in the long term (Porter, 1985).

The study of generic strategies has had wide coverage in literature (Suresh and Bhatt, 1995; Hill, 1988; Dess and Davis, 1984). Very few studies, however, have focused on agribusiness firms let alone studying those firms on emerging economies (Baack and Boggs, 2008; Gopalakrishna and Subramanian, 2001). This research contributes to understanding business strategies in two ways. First, to our knowledge this is the first study focused on generic strategies of high value-added agribusiness firms in Latin America. Second, this is a study based on empirical data that reflect the actual actions taken by agribusiness firms in the region. In combination with other related studies, this research offers the academic community a novel analysis methodology. Also, it offers the business community the way that could be followed to change the strategic positioning of agribusiness firms toward a differentiation one.

The paper is organized as follows: a presentation of the conceptual model underlying the study, a description of the empirical analysis developed, discussion of main results of empirical analysis, and finally, conclusions and implications for Latin American agribusiness firms.
Conceptual Model

The focus on generic strategies provides an interesting opportunity to study differences in the strategies implemented by agribusiness firms in emerging economies. It also provides interesting insights into initiatives underlying some of these generic strategies.

As stated, one of the most common generic strategies of agribusiness firms is cost leadership. In that case, leadership is achieved by various means depending on specific agricultural activity. However, there are non-exclusive common devices that help reduce costs, which may be structural, performance-related and / or external (Ketelhöhn et. al., 2012). Companies implementing cost leadership strategies tend to specialize on certain products and / or services, they are not complex, they constantly invest in cutting-edge technology and equipment, they are skilled in process design and re-design, and they use distribution channels that generally contribute to reduce their costs. Additionally, their structure and organization ensure tight cost control, the existence of frequent and detailed reports, allocation of highly-structured responsibilities, and generally, a package of incentives based on quantitative targets (Ketelhöhn et. al., 2012).

The generic differentiation strategy is achieved by different means, but there are also non-exclusive common criteria that contribute to success (Porter 1985; Porter 1980). These may be either of signal or use. Signal criteria can include price, brand image, packaging quality and time in business (Sporleder and Liu, 2007). It is worth mentioning that the price of a product or service for a company that decides to compete through a differentiation strategy should be higher than that of its competitors (Porter, 1985; Porter, 1980). Price then, indicates that the product or service is truly differentiated by whatever means. Now, consumers who try the product or service and are not satisfied will not use it anymore. That is why we speak of price as signal factor that must be sustained over time.

Use criteria include product or service quality and features, breadth of product line, technology used, customer service, delivery time and an effective distribution system. Companies implementing a differentiation strategy are characterized by being strong on marketing, product and service engineering, creative instinct, research and development, quality, and cooperation with distribution channels. To attain success they require strong coordination between research and development, product and service development and marketing, qualitative incentives and highly trained creative staff.

This study focuses on characterizing the key strategies of Latin American high value added agribusiness firms with in the humid tropics. These firms are defined as those that have managed to climb the value ladder, so that they do not focus solely on basic agricultural production but also seek to add value through additional activities such as washing, cleaning, processing, packaging, and distribution. Not all value added companies get to the end customer: However, all get out of the "farm gate" and it is even possible that some of them do not engage in basic agricultural production. Specifically, this research distinguishes the strategic dimensions of agribusiness firms competing on a generic differentiation strategy from those that could be followed by companies competing by implementing cost leadership or are stuck in the middle (Porter, 1985).
Figure 1 presents the conceptual model developed to study and compare the strategic choices of selected agribusiness firms. Researchers have identified five relevant dimensions to study and compare among agribusiness firm implementing different generic strategies. The model is the result of three components that have been combined: literature (Gibson et. al., 2011; Baker et. al., 2008; Brenes et. al., 2008; Skarzynski and Gibson, 2008, Sporleder and Liu, 2007; Anand et. al., 2006; Boehlje et. al., 2005; Pearce II and Zahra, 1991; Robinson and Pearce II, 1988; Porter, 1985; Porter, 1980), the researchers’ experience in the region, and validation by senior executives of Latin American agribusiness firms.

Figure 1 Conceptual Model developed by the authors

The strategic dimensions include: Management Quality, Innovation Capability, Agribusiness Scope, Marketing Skills, and Operations Skills. The components of each dimension are described below.

**Management Quality** refers to the ability to formulate, operationalize, and implement business strategy (Brenes et. al., 2008; Anand et. al., 2006; Robinson and Pearce II, 1988). Management Quality begins with the agribusiness firm’s ability to *formally define strategy and its review and adaptability* to environmental changes (Boehlje et. al., 2005). Skills in the field of *corporate social responsibility* (CSR) and *responsible environmental management* are also relevant components. Company’s ability to *operationalize strategy* requires management to be able to observe and *use best management practices, invest in training and implementing information technologies*. Finally, *strategy implementation* is largely dependent on the presence of a *formal board* and a *high-quality management team* with strong *human resources skills* (Pearce II and Zahra, 1991).
Innovation Capability relates to senior management support to innovation and the company’s willingness to develop open innovation (Skarzynski and Gibson, 2008, Gibson et. al., 2011, (Robinson and Pearce II, 1988). Leadership is shown in the firm through internal ability to innovate, the willingness to invest in innovation taking greater risks and the effective development of new products and processes on a regular basis every year. Another key component is the firm’s ability to undertake the search of new ideas through open innovation where, in addition to its own research and development it shares its activities with academic institutions (Baker et. al., 2008), among others.

Agribusiness Scope includes two key components, geographic scope and the degree of vertical integration (Anand et. al., 2006). In relation to geographical scope it is important to evaluate where different agribusiness firms compete, how they compare to each other, and if their positioning provides a typology. The degree of vertical integration must be compared, too, taking into consideration the use of distribution and logistics services through third parties, as well as the existence of company’s own points of sale.

Marketing Skills, comprises general marketing skills vis-a-vis competitors. This identifies skills in areas such as advertising, promotion and others (Porter, 1985). The second component, market intelligence, includes knowledge of customers and the level of use of information technology in external relations. The third component is product line and it includes use of own brands, breadth of product line and use of origin (place, country, or region) as a marketing tool (Sporlde and Liu, 2007; Robinson and Pearce II, 1988). The fourth component is domestic and international certifications and the fifth is distribution skills.

Operations skills have to do with relations with suppliers, degree of processing, production quality, and investment levels (Porter, 1985). The first is shown by the quality of supplier relationships and relative prices the company pays to suppliers versus its competitors. The second relates to degree of processing which varies, either as primary production (no processing,) simple processing (cleaning and sorting) and complex processing (cutting, mixing, cooking, pasteurization, canning, texturing, or lyophilizing) and product quality level (Austin, 1984). Finally, the last component would be the kind of investment in cutting-edge machinery.

The hypothesis underlying this study is that the five dimensions mentioned above model differentiation strategies in high-value added agribusiness firms in the Latin America’s humid tropics. Likewise, it is expected that components also support dimensions in the same direction. This means that agribusiness firms implementing a generic differentiation strategy should show greater strength in all dimensions and their components as opposed to agribusiness firms implementing a cost leadership or those stuck in the middle (Porter, 1985).

Research Data and Methodology

As stated above, this study focuses on researching the strategic dimensions setting apart value-added agribusiness firms that implement a differentiation strategy. For this purpose, research was conducted on 275 high value-added agribusiness firms in 10 Latin American countries. By design MNCs were not included in the survey. The response rate was 31.3% for 86 agribusiness firms. However, 20 incomplete forms were discarded for lack of data. Therefore, the final sample included 66 high value-added agribusiness firms in eight countries. Information on firms from different agricultural sectors and countries allows us to describe patterns that surely have been
less influenced by specific circumstances, and thus more typical of Latin America’s humid tropics and of emerging economies in general.

Executives were asked to fill out a form containing questions that provided relevant information to our conceptual model in relation to its five dimensions. They were given a number of questions, some yes/no questions and others to be answered using the Likert 1 to 7 scale. The methodology used was considered the most appropriate to collect first-hand data on skills and initiatives that companies are actually developing (Suresh and Bhatt, 1995; Dess and Davis, 1984). Most Latin American agribusiness firms surveyed do not provide systematic information to any particular database and also mostly are not listed on domestic or regional stock exchanges.

To contrast the responses from agribusiness firms focused on generic differentiation strategies versus others, it was important to establish a way to separate them. As seen before, a key basis for differentiation is that companies implementing this strategy should command average prices above those of competitors. This is due to the fact that, to achieve this positioning, companies generally have higher costs than competitors, either because competitors focus on cost leadership or are stuck in the middle lacking a clearly defined generic strategy.

The option seen as most appropriate was directly asking if the firm commanded prices consistently above those of competitors. Agribusiness firms answered this question using the Likert 1 to 7 scale. All those who answered with 5, 6, or 7, (high price, very high price, and much higher price than competitors, respectively) were listed as implementing a generic differentiation strategy. Based on this measurement, the sample consisted of 33 companies with differentiation strategies and 33 firms implementing cost leadership or being in the middle.

**Results and Discussion**

**Five Dimensions**

As shown in Figure 2, results show that for all five selected dimensions the average value obtained in the Likert 1-7 scale for elements of each dimension is higher for agribusiness firms implementing a differentiation generic strategy (DGS) than for those that do not, either because they implement a cost leadership strategy or are stuck in the middle with no clearly defined generic strategy (No-DGS).

Figure 2 shows that both agribusiness firms implementing a DGS and others have high average scores for Operations Skills, 5.42 and 5.13, respectively. Management Quality ranks second for both groups with 5.24 and 5.04, respectively. Next come Marketing Skills with 5.21 and 4.66. Agribusiness Scope ranks fourth, with 4.73 and 4.37, respectively. Finally, Innovation Capability occupies the fifth place with 4.64 and 4.07 respectively. The score of agribusiness firms implementing a DGS is consistently higher for all dimensions. These results support the original hypothesis suggesting that these five dimensions in fact typify agribusiness firms competing by implementing a DGS.
To identify the dimensions really making a difference between the two selected reference groups, the differences between the scores mentioned above were estimated and they are shown in Figure 3. Results indicate that Innovation Capability (0.56) and Marketing Skills (0.55) show the most significant differences, as the key dimensions setting apart the agribusiness firms that implement a DGS from others. These are followed by Agribusiness Scope (0.36,) Operations Skills (0.30) and Management Quality (0.20) respectively. It should be clarified, however, that given the exploratory nature of this research, “significant” is used to indicate rather than to denote statistical significance (Robinson and Pearce II, 1988).

Next we are going to analyze in detail each of these dimensions and their elements to specify the sources of differences in each case.
Innovation Capability

Innovation in general plays an important role in every company, regardless of whether or not it implements a DGS. However, as mentioned above, a very special feature of companies implementing a DGS is creative instinct and interest in research and development. This study suggests that, indeed, agribusiness firms implementing a DGS have developed an innovation capability much more robust than other agribusiness companies. When talking about innovation capability it relates to specific company features such as whether or not innovation is embedded in the firm’s DNA and whether it has led to positive results. This dimension consists of two elements, to wit, leadership and open innovation.

Innovation Leadership

Leadership relates to support given the overall organization by top management in relation to innovation (Skarzynski and Gibson, 2008; Calori and Ardisson, 1988; Porter, 1985). In this study leadership has been identified as made up of three components, namely, process innovation within the firm, number of new products and processes brought to the market, and company versus competitors (Dhamvithee, et.al., 2005; Sanchez, 1995). Seventy-three per cent of agribusiness firms implementing a DGS describe innovation in internal processes as high, very high or excellent, while only 58% of agribusiness firms that do not implement a DGS do so. Sixty-one per cent of agribusiness firms that implement a DGS bring new products to market to a degree that is high, very high or much higher than their nearest competitors, while only 33% of agribusiness firms not implementing a DGS do so. Forty-eight per cent of agribusiness firms implementing a DGS have introduced processes to a high, very high or much higher degree than their competitors, while only 27% of agribusiness firms that do not implement a DGS do so.

Open Innovation

Open innovation is related to investment and company openness to receive inputs from both inside and outside the organization in its innovation processes (Skarzynski and Gibson, 2008; Baker et.al., 2008) Open innovation comprises two components, internal research and development and company’s relationship to academic organizations. Results indicate that companies implementing a DGS invest 50% more in research and development than agribusiness firms that do not. It should be noted that 18% of agribusiness firms that implement a DGS invest more than 7% of their sales in research and development, while only 3% of agribusiness firms that do not implement a DGS do so.

Only 42% of agribusiness implementing a DGS relate to academic institutions at a high, very high or extremely high level. Of these, 43% does so intensely. On the other hand, 42% of agribusiness firms that do not implement a DGS relate to academic institutions at a high or very high level, but in no case do they do so intensely. Results indicate that 49% and 33% of agribusiness firms implementing a DGS and relating to academic institutions to support their innovation processes, do so through internships and research projects, respectively. However, when analyzing agribusiness firms that combine internships with research in their relationship with academic institutions, agribusiness firms implementing a DGS exceed 100% those that do not.

Marketing Skills

As discussed above companies implementing a DGS are generally strong in marketing, which means having broad skills and abilities in this area, as well as good knowledge of their customers. In addition, they have a wide range of products and services and strive for the recognition of their quality, while
developing important skills and effective distribution systems. As we will see below the results of this study clearly support most of these features. This dimension consists of five elements: General Marketing Skills, Market Intelligence, Product Line, Certification and Distribution Skills. Price was excluded from this dimension as it is the variable we have chosen to identify companies implementing a DGS (Porter, 1985; Porter 1980).

**General Marketing Skills**

General marketing skills are identified by the appraisal executives make in terms of marketing skills and capabilities of their agribusinesses. According to the results these skills and capabilities are high, very high or excellent for 73% of agribusiness firms that implement a DGS and only for 48% of those not doing so.

**Market Intelligence**

Market intelligence has two components, degree of knowledge of end customers and use of information technology in external relations. According to results, 91% of agribusiness firms implementing a DGS report high, very high or excellent knowledge of end customer profile while only 72% of agribusiness firms that do not implement a DGS show that level of knowledge.

The information technology component of external operations was expected to have a better outcome, but only 61% of agribusiness firms implementing a DGS use information technology to a high, very high or extremely high degree in external operations. Meanwhile, 67% of agribusiness firms that do not implement a DGS show the same behavior. This result could be explained in two ways. First, agribusiness firms implementing a DGS do not use information technology in external operations as hard as others. Second, agribusiness firms that do not implement a DGS could be implementing a cost leadership generic strategy. As noted above, this kind of generic strategy is generally associated with continuous investment in cutting-edge technology.

**Product Line**

Product Line analysis has three components, use of own brands, breadth of product line and use of origin (place, country or region) in promoting products. Companies aim at creating shareholder value. This is achieved whenever company economic results are higher than their cost of capital. However, creating value without a brand name that enables companies to appropriate that value can make or break a business firm in the long run. Results show that 82% of agribusiness firms implementing a DGS use their own brands to a high, very high, or extreme degree while only 67% of those not doing so show the same level of use.

The results also show that 61% of agribusiness firms that implement a DGS and use brands sell more than 75% of their goods and services under their own brand name. A wide range of products and services is a feature common to companies implementing a DGS, so that they offer more variety to their customers. The results indicate that 73% of these firms have a product line which is high, very high, or much higher than that of their competitors, while only 45% of agribusiness firms that do not implement a DGS show the same scale of product line.

Finally, the use of origin as a marketing tool has taken much momentum in the last few years. In this study 76% of agribusiness implementing a DGS report that make a high, very high or extreme use of origin, either place, country, or region to market their goods, while only 70% of those not implementing a DGS say so.
Certifications

Agribusiness firms in general use certifications as a marketing tool that provides specific guarantees to potential customers about product or service features. Fifty-eight per cent of agribusiness firms implementing a DGS say they have a high or very high, or much higher number of international certifications than their competitors while only 33% of agribusiness firms that do not implement a DGS state the same. According to the results, agribusiness firms implementing a DGS have on average 10% more national certifications and 8% more international certifications than agribusiness firms that do not do so.

Distribution Skills

Companies with a DGS tend to proactively contribute to distribution channels to ensure success in their distribution strategy. If they fail to do so, they often take things under their own control. In any case, distribution skills and capabilities are important. This research assesses Distribution Skills and identifies them through the appraisal made by the executives themselves of the distribution skills and capacities of the firm. The results show that 70% of agribusiness firms implementing a DGS report high, very high or excellent distribution skills, while only 58% of those who do not say the same.

Agribusiness Scope

Theory does not necessarily indicate that companies implementing a DGS should be more or less international. However, it can be anticipated that a differentiation positioning allowing a Latin American agribusiness firm to consistently command higher prices is not easy to reach in international markets. On the other hand, the degree of vertical integration is not required by the theory as definitive. This dimension consists of two components, geographical scope and degree of vertical integration

Geographic Scope

The geographic scope of agribusiness firms implementing a DGS is mainly concentrated in one or two countries. In fact, that is the case for 79% of these firms. On the other hand, only 52% of agribusiness firms that do not implement a DGS focus on one or two countries. Rather, their scope covers from one to five countries. This shows that firms in the first group are more concentrated in fewer countries. As stated above, these firms consistently command higher prices and perhaps, to do so, they need to conquer markets in a much more cautious way. Alternatively, maybe the products and services of their competitors have greater difficulty to differentiate themselves and are closer to being a commodity, engaged in increased international trade.

Vertical Integration

Again the theory does not necessarily indicate whether an agribusiness firm implementing a DGS should be more or less integrated, should use distribution channels and logistics services from third parties or should have its own sales points (Goldsmith and Gow, 2005). However, as noted above, the results of this study show that on average agribusiness firms implementing a DGS are more vertically integrated. In any case, to study the degree of vertical integration results are organized into four components, to wit, general vertical integration achieved by the firm, use of external distribution channels, logistics services from external suppliers, and having its points of sales.

Sixty-seven per cent of agribusiness firms that implement a DGS feel they are vertically integrated to a high, very high, or much higher degree than their competitors, while only 39% of agribusiness firms that not doing so feel the same. Of vertically integrated companies implementing a DGS, 42% are
integrated forward and backward, 27% only backward, and 31% only forward. Among those not implementing a DGS, 25% are integrated forward and backward, 42% only backward, and 33% forward. This effectively shows that agribusiness firms implementing a DGS display more complex vertical integration as 42% are simultaneously integrated both forward and backward versus just 25% for the other group. Another aspect is that agribusiness firms that do not implement a DGS focus on backward vertical integration more strongly than the other group.

Sixty-four per cent of agribusiness firms that implementing a DGS use external distribution channels to a high, very high or extreme degree. On the other hand, only 55% of firms in the other group do the same. In addition, 73% of agribusiness firms with DGS use logistics services with external providers to a high, very high or extreme extent, with 64% of agricultural enterprises in the other group doing the same. This shows that although there is some degree of forward vertical integration, agribusiness firms in the first group also use specialized distribution channels and logistics services to ensure successful distribution.

Fifty-five per cent of agribusiness firms implementing a DGS use their own points of sale to a high, very high or extreme degree, while 42% of agribusiness firms that not doing so report the same. The results show that for the first group, 80% use physical outlets in combination with other media. That figure is composed of 47% using only physical outlets, 13% combining physical outlets with Internet and phone, 13% combining physical outlets with other direct means and 7% combining physical points, internet, telephone and other direct means. The other 20% is made up of 7% using only telephone and Internet, 7% using only phone and the remaining 6% using other direct means.

**Operations Skills**

As seen above, the difference between some dimensions such as Innovation Capability, Marketing Skills, and Agribusiness Scope for companies implementing a DGS and those that do not is much larger than the difference found between these two groups for Operations Skills. However, the results also show that in absolute terms Operations Skills are very important for both groups, although no strong difference exist between them. This result is not without meaning, because for companies with high agricultural value added that transform products, operations skills and capabilities should indeed be valuable, thus explaining absolute results for Operations Skills.

Now if one of these agribusiness firms also wants to implement a DGS, its operational skills must be expected to be higher than those of other companies. The reason for this is that we expect a product to be truly differentiated in the eyes of consumers. However, this could involve a sophisticated transformation, or alternatively, it could be something simple as packaging, mixing, additives, etc. As stated before, it is not easy to differentiate products in the agricultural sector. That is why many companies are implementing cost leadership generic strategies generally leading to operational efficiency, often with lower value added.

Business operations in a high-value added agricultural firm implementing a DGS must include supply and production processes to ensure excellent attributes of inputs used and top end quality for all products or services offered. This dimension consists of three elements, relationships with suppliers, production skills, and use of specialized machinery.

**Relations with Suppliers**

Relationships with suppliers have two components, relationship quality and the prices agribusiness firms pay for their inputs or raw materials. According to results, 97% of agricultural enterprises using a
DGS see the quality of their relationship with suppliers as high, very high or excellent. On the other hand, 94% of the other agribusiness firms do so.

Thirty-nine per cent of agribusiness firms implementing a DGS pay suppliers a high, very high or much higher price than its closest competitors, while only 30% of agricultural enterprises in the other group do so. As can be seen, supplier relationship seems slightly better for agribusiness implementing DGS however, they pay higher prices. The reason for this could be that those firms work harder than others to obtain better inputs from their suppliers.

Production Skills

This investigation has identified Production Skills based on four components, primary production skills, secondary production skills with a simple processing degree, secondary production skills with a complex processing degree, and product and service quality as compared to closest competitors. The results reveal that in all production levels agribusiness firms implementing a DGS are better than the other group. However, it is remarkable to see that the largest percentage difference occurs in secondary production with a complex degree of processing.

Specifically, 85% of agricultural enterprises implementing a DGS have high, very high or excellent primary production skills, while 73% of agribusiness firms that do not use DGS show the same levels of skill. In relation to secondary production skills with a simple production degree, 82% of agricultural enterprises show high, very high or excellent skills, while 73% of enterprises in the opposite group do so. However, seventy-six per cent of agribusiness firms with DGS have high, very high or excellent secondary production skills with a high degree of processing, while 58% of those that do not have the same level of these skills.

Finally, 97% of agricultural enterprises implementing a DGS perceive that their products as with high, very high or much higher quality than that of its nearest competitors, while 91% of agribusiness firms in the other group have the same perception.

Investment in Production

The main component of Investment in Production is the use of highly specialized machinery in different stages of production. The results show that 70% of agribusiness with a DGS indicated high, very high or extremely high use of machinery with these conditions, while 79% of agribusiness firms do not doing so reported the same intensity of use. This result draws much attention and could be seen as contradicting previous results.

The reason for this could be first that agribusiness firms implementing a DGS depend less on investment and the use of highly-specialized machinery. Even though their processing level is more complex, it is not necessarily the result of the use of such equipment. Second, most agribusiness firms not implementing a DGS could be following cost leadership. As noted above, that kind of strategy is usually associated with continued investment in equipment and technology to achieve economies of scale and reduce production costs.

Management Quality

Even though all business firms have a strategy, not all of them have an explicit strategy. In many cases, strategy is just a set of ideas in the mind of the company’s president or CEO. However, upon probing, it is possible to see that strategy differs in line with different people. That is why strategy must result from a formal, well-researched and documented process (Anand et. al., 2006; Brenes et. al., 2008).
Also, the organization must ensure the operationalization of the strategy and its proper and timely implementation, aligning the organization and providing detailed tracking (Brenes et. al., 2008). This dimension consists of the following elements: strategy perspective, operationalization perspective, and strategy implementation perspective.

**Strategy Perspective**

Strategy perspective consists of four components: How is the strategy process?, How sustainable is over time the business strategy defined?, flexibility / adaptability to environmental changes, and CSR skills and responsible environmental management. The results indicate that 51% of agribusiness firms that implement a DGS have a formally defined strategy, resulting from a prior strategic assessment and developed in conjunction with various levels of the organization. On the other hand, only 39% of agribusiness firms that do not implement a DGS do the same. Also, 62% of agribusiness firms implementing a DGS have made significant adjustments to their strategy in the last year, and 38% in the last five years. At the other reference group, 67% have done so in the last year and 33% in the last five years.

Seventy-nine per cent of agribusiness firms implementing a DGS mentioned a high, very high, or excellent degree of company flexibility and adaptability to the changing environment, while 88% of firms in the other group did so. This is consistent with the frequency of strategy adjustment stated above. Although strategy involves long-term and experience shows that changing strategy often involves not achieving competitive advantage (Porter and Ong, 1988), it is important to be flexible and able to adapt to changes if necessary (Boehlje et. al., 2005; Goldsmith and Gow, 2005). This result could be influenced by the fact that these agribusiness firms have been able to command higher prices over the years compared to their competitors, even during the crisis. This could have resulted in a degree of stability above that established, thus accounting for the answers obtained.

Seventy per cent of agribusiness using DGS showed high, very high, or much higher degree of corporate social responsibility (CSR) activity as compared to competitors. On the other hand, 55% of agribusiness firms that do not implement DGS did so. Environmental management skills are high, very high or excellent for 85% of agricultural enterprises with a DGS. The figure for those that do not is 73%. This demonstrates the importance taken by CSR and environmental management and suggests that companies pursuing a DGS are actively engaging in CSR as compared with the other group.

**Operationalization Perspective**

Operationalization has three components that include observation and use of international practices, investment in training and use of information technology in internal operations. According to the results, 73% of agribusiness firms implementing a DGS observe and use international best practices to a high, very high or extreme degree, while 70% of agribusiness firms that do not use the DGS do the same. Also, 76% of agribusiness firms implementing a DGS show high, very high, or excellent degrees of staff training, while 55% of agribusiness firms not doing so state the same. In fact, agribusiness firms implementing a DGS invest 20% more in staff training that firms that do not.

The information technology component in internal operations was expected to have a better outcome; however, as with the use of technologies in external operations developed under Marketing Skills agribusiness implementing a DGS make less use of technology. Thus, only 67% of them make use of technology to a high, very high or extreme degree, while 79% of those not implementing a DGS state the same. This result is also consistent with findings in Investment in Production in the Operations Skills dimension. The explanations in both cases also hold for this case.
Strategy Implementation Perspective

The prospect of implementing the strategy has three components, a formal board, management team quality, and possessing HR skills. The results show that 73% of agribusiness firms implement a DGS used formal board to a high, very high or extreme degree. On the other hand, this is the case for just 70% of those who do not. In the case of agribusiness firms implementing a DGS, 67% indicate that the quality of their management team is either very good or excellent, while only 48% of the other group of firms makes that claim. In relation to human resource skills, 61% of firms employing a DGS consider theirs as high, very high or excellent, with 58% of agribusiness firms that do not stating the same skill level.

Conclusions and Implications

Latin American high value-added agribusiness firms can compete by using a variety of strategic positions that combine Where and How to compete (Brenes and Mena, 2003). This article presents a conceptual framework describing the strategic options available to agribusiness firms implementing a DGS. Results show that the five strategic dimensions selected are, on average, actually more important for agribusiness firms that implement a DGS than for those that could implement cost leadership generic strategy or are stuck in the middle thus identifying the firms that implement a DGS and confirming the initial hypothesis (Porter, 1985; Porter, 1980).

The results provide relevant information regarding the relative importance of each dimension by comparing agribusiness firms that implement a DGS and others that do not. Thus, it was seen that Innovation Capability and Marketing Skills are the two key dimensions setting apart an agribusiness firm that competes using a DGS from those implementing cost leadership strategies or that are stuck in the middle. The other dimensions also show differences in favor of agribusiness firms that compete by implementing a DGS, although in smaller proportions than those already mentioned. Thus, Agribusiness Scope ranks third in importance among differences, Operations Skills ranks fourth and Management Quality ranks fifth.

Research also breaks down, by elements and components, the reason for the relative weight of each dimension. Some outstanding issues in each case for agribusiness firms that implement a DGS follow. In terms of Innovation Capability investment in research and development, product and process innovation and process innovation in general are outstanding. In Marketing Skills, breadth of service and product line, general marketing skills, use of certifications, knowledge of customer and use of their own brands stand out.

Agribusiness Scope shows these companies are generally seen to have a focused international scope in fewer countries and a greater degree of vertical integration. In Operations Skills, capabilities and skills in secondary production with a high degree of processing are highlighted. Finally, in relation to Management Quality strategy development through formal, well-structured processes, investment in training, and corporate social responsibility skills stand out.

The results shown here help managers of high value-added agribusiness firms in tropical areas of the world to assess their strategies and focus their resources on issues that could help find a clearer direction and better strategic positioning to develop a sustainable competitive advantage. Thus, managers should weigh the results and evaluate specific actions they could take depending on the generic strategy they wish to implement. Overall, this study sought to identify concrete actions from agribusiness firms implementing generic differentiation strategies. However, as seen the results provide leads that can also guide the managers who want to use cost leadership generic strategies.
The study has the restriction of being exploratory in nature. Future research could use the same or a similar conceptual framework to study high value-added agribusiness firms from other tropical regions and compare and confirm results. It would be interesting for such studies to consider models allow for statistically significant comparisons of differences between agribusiness firms competing through using DGS and those no doing so.

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