Country-of-origin image (COI) as a country-specific advantage (CSA): Scale development and validation of COI as a resource within the firm perspective

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\section*{ABSTRACT}

The study discusses the country-of-origin-image (COI) as a country-specific-advantage (CSA) for internationalised firms. We developed and validated a scale to measure the importance of the incorporation of the COI as a resource in a firm's international strategy, the COI-CSA. Several psychometric procedures were adopted. We analysed data gathered from two case studies, validation procedures with experts and researchers, and three data sets from executives working in internationalised firms. The results validate the COI-CSA scale as a multidimensional construct reflected in a set of four dimensions: textual and visual elements, senses, cultural resources, and natural resources.

\section*{1. Introduction}

The home country of a firm and its image can represent a source of competitive advantage or disadvantage for the firm (Cuervo-Cazurra & Un, 2015). The incorporation of features from the country-of-origin image (COI) is a strategic decision that a firm makes (Suter et al., 2017). We claim that when it is used properly, it can become an advantage for the firm. This study presents the ways that firms use COI features in their brands by developing and validating a measurement scale. In this sense, we argue that a firm can choose whether or not to use the COI in its international marketing strategy. However, there is a gap in the literature with respect to the firm's belief on the COI as a country-specific advantage (CSA) (Johansson, 2014) that can also be used by the company (Rugman & Verbeke, 2001) as a source of competitive advantage, which our work addresses.

To date, it has not been obvious whether COI should be considered as a resource for a firm because COI has not always been reflected in a positive light when associated with products. Some international business (IB) scholars believe the COI may create a negative perception arising from a perceived country-specific disadvantage (Cuervo-Cazurra & Genc, 2008; Cuervo-Cazurra & Ramamurti, 2017) or even increase its 'liability of foreignness' (Moeller, Harvey, Griffith, & Richey, 2013). Furthermore, the lack of legitimacy from institutions that are weak and have poor reputations (Fiaschi, Giuliani, & Nieri, 2016) generates a negative image of a country. In such cases, the COI creates more barriers than opportunities for the firms from these countries and their governments. Hence, many emerging market firms (EMFs) mitigate or even hide the image of their country when competing abroad (Cuervo-Cazurra & Ramamurti, 2017; Herstein, Berger, & Jaffe, 2014; Magnusson, Haas, & Zhao, 2008; Tallman & Yip, 2009). However, other investigations show that EMFs can effectively rely on attributes from their country-of-origin in their branding strategy (Suter et al., 2017), transforming a possible disadvantage into an advantage (Cuervo-Cazurra & Genc, 2008). The brands Concha Y Toro (Chile), café Colômbia (Colombia), Pima cotton fabric firms (Peru), and Havaianas (Brazil) are examples of firms that have successfully incorporated their COI into their brands. Studies regarding the latter, in which firms evaluate the COI positively, tend to stress the importance of COI from the consumer perspective but miss 'the richness and significant strategic implications' (Papadopoulos, 2014, p. 4) of this for firms in the internationalisation process. This reinforces our view that the use of the COI as a CSA is not automatic but requires special skills (Buckley, 2017) and depends on a firm's decision to incorporate and manage the COI within its brand strategy.

The firm, therefore, needs to use its own firm-specific advantage (FSA), known as a unique asset or capability that contributes to the...
achievement of its competitive advantage (Rugman, 2009), such as its marketing communication capability, to transform the COI into a resource and leverage the COI-CSA (Buckley, 2017). The firm can use COI elements in its branding to develop this process as a brand is considered a semi-permanent protected asset (Buckley, 2017). This means that the COI will only be considered a CSA for the firm when the COI features are transformed through a brand strategy, using internal marketing resources to create a valuable, rare, hard to imitate, and complex resource for the organisation (Barney, 1991; Wernerfelt, 1984).

We posit that the image conveyed by aspects of the ‘made-in’ label can represent a CSA in precisely the same way that a brand name carrying COI features can represent a resource to the firm (Johansson, 2014). We assume that the firm has previous knowledge as to whether or not the COI is positive and whether it represents values that are constructive and consistent with its brand prior to incorporating it into the firm strategy (Dörđević, 2008; Suter et al., 2017). Hence, we believe that when the COI is positive and recognised by the business as an asset, it can be internalised and used in the strategy of the firm, turning the COI into a firm resource, or a COI-CSA at the firm level. However, to make this happen, the firm needs to operationalise the CSA based on interaction between the COI (CSA) and the firm’s marketing communication capability (FSA) (Rugman, 2009). We propose that this interaction can be developed by combining four different dimensions of the COI-CSA: textual and visual elements, the senses, natural resources, and cultural resources.

Therefore, this study addresses what is required for a firm to transform the COI into a CSA. Our study objective is aimed at developing and validating a scale that measures the COI as a CSA for firms. We assess the COI as a CSA by measuring its importance as a resource to the firm for incorporation into its brand strategy. The novelty of our study is in its perspective as we present a measurement scale for the COI using the firm as the unit of analysis. To achieve this, we perform several psychometric procedures (Churchill, 1979; Lee & Hooley, 2005; MacKenzie, Podsakoff, & Podsakoff, 2011) and use three data sets to run advanced statistical techniques (Confirmatory Factor Analysis - CFA and Structural Equation Modelling - SEM). We validate the scale with firms that sell products abroad with a competitive advantage already as they have been operating internationally continuously for more than five years.

To the best of our knowledge, there is no academic quantitative study that analyses the COI as a resource for internationalised firms. COI investigations have focused on analysis from a consumer behaviour perspective (Carneiro & Faria, 2016; Peterson & Jolibert, 1995; Usunier, 2006) and offer little information related to strategy (Morello, 2014; Roth & Diamantopoulos, 2009; Samiee, 2010). From the strategic perspective, existing studies analysing COI as a resource provide only an exploratory construct evaluation through a qualitative or conceptual approach (Agrawal & Kamakura, 1999; Baker & Ballington, 2002; Chattopadhyay, Batra, & Oszomer, 2012; Cuervo-Cazurra & Un, 2015; D’Antone & Merunka, 2015; Dörđević, 2008; Herstein et al., 2014; Kumar & Steenkamp, 2013; Spence & Hamzaoui Essoussi, 2010; Suter et al., 2017). Our study fills this gap by developing a scale for the COI from a managerial perspective, attending Diamantopoulos, Schlegelmilch, and Paliwawadana’s (2011) call for new studies analysing COI not only as a driver of product image, but also as the guiding image of a brand captured through it. We also follow the suggestions of Samiee (2010), Cuervo-Cazurra and Un (2015), and Cuervo-Cazurra (2011) to investigate COI from a business perspective.

This perspective relies on the resource-based view of the firm (RBV) and the IB background. Contrary to most international marketing literature that analyses COI using the consumer’s lens, our approach analyses it as something unique to a country’s industry. The arguments presented in this paper align and contribute to different streams of research – IB, strategy, international marketing, and international policy – by showing how an international marketing issue can be analysed as a resource for the firm. Our intended contribution is fourfold. First, we highlight the path that can be followed by firms to develop the COI as a resource and transform it into a CSA. For that, we rely on the VRIO (value, rarity, imitatibility, and organisation) framework (Barney, 1991; Wernerfelt, 1984) and on the CSA-FSA literature (Rugman & Verbeke, 2001) to conceptualise COI-CSA as a second-order construct reflected in its four dimensions (first-order constructs directly related to COI elements): visual and textual elements, the senses, natural resources, and cultural resources. Second, we develop and validate (combining several studies) a solid measurement scale of COI’s importance as a resource, namely, the COI-CSA. Third, we test the COI-CSA nomological validity by relating it to antecedent variables. Finally, the study enables a better understanding of the COI-CSA, which can help managers in the internationalisation process take advantage of opportunities from their country-of-origin that have been missed (Johansson, 2014). It also helps make the COI’s cues recognisable to consumers (Costa, Carneiro, & Goldszmidt, 2016) and target governments (Cuervo-Cazurra & Un, 2015).

2. Theoretical basis

In this section, we present arguments to support the COI as a resource for both the country and its firms. We review the literature on COI regarding the country and the firm; then we explain the process that can be used by firms to transform the COI into a CSA.

2.1. COI as a resource for a country

The COI is mostly regarded in the international marketing literature as the construct that explains how the image of a country affects the sales of a product or brand abroad (Agrawal & Kamakura, 1999; Diamantopoulos et al., 2011; Görür-Canlı & Maheswaran, 2000; Herz & Diamantopoulos, 2013a, 2013b; Magnusson, Westjohn, & Zdravkovic, 2011; Roth & Diamantopoulos, 2009). This body of knowledge began to be established by international marketing scholars focusing on the firm level (Hooley, Shipley, & Krieger, 1988) by considering consumer perspectives towards brands and products coming from a specific country.

Other streams of research, for example, tourism (Herstein, 2012), public diplomacy (Gertner, 2011), international relations (Nye, 2008), marketing (Fetscherin, 2010), geography, regional studies, sociology, social anthropology, cultural anthropology, and international law (Mariutti, 2015) started to investigate the country-of-origin image, bringing to the discussion different perspectives and new applications and extending the examination to a broader level – that of the country. These developments happened in a context of new global competition, highlighting the role of the image of a country, turning it into an important competitive role, not just for firms but for governments as well. Consequently, countries began to manage their images as brands (Anholt, 2005; Barney & Zhang, 2008; Hakala, Lemmetynen, & Kantola, 2013; Mariutti, 2015) in order to compete effectively with other countries (Fan, 2008; Kotler & Gertner, 2002; Yooke, 2009), seeking advantageous competitive positions (Anholt, 2005; Barney & Zhang, 2008) and being noted for their diplomacy (Kaneva, 2011; Melissen, 2005; Nye, 2008).

Therefore, at the country level, COI can be considered a CSA as it evokes several benefits when well-articulated and created as well as managed as a brand. COI can be considered a resource when governments and trade associations develop it through national campaigns, intended to help firms in their countries compete with importers (Insch, Mather, & Knight, 2017; Papadopoulos, 2004; Szondi, 2007) and to attract more foreign direct investment (FDI) (Wee, Lim, & Tan, 2014). Other positive COI outcomes are: the improvement of a country’s negative image; the mitigation of negative rumours and myths about a country; the creation of a universal and unique brand to identify a country; the attraction of tourists (Patel, 2010); the rise of exports; the search for new market opportunities; and the encouragement of
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