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Competitive Strategy and Firm Performance: Evidence from Dynamic Market Environments in Asian nations

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Abstract

This paper examines the impact of competitive strategy on firm performance in dynamic market settings in Asia. It brings a synthesis of classical positioning theory, resource-based view, dynamic capabilities, strategic agility, organizational ambidexterity, digital transformation, and institution-based perspectives in explaining the differences in outcomes of similar strategies across firms and countries. The review is based on empirical evidence from China, India, Indonesia, Japan, Malaysia, South Korea, Taiwan and Vietnam, and on a wider emerging-market review that is relevant to Asia. The evidence suggests that all strategies (cost leadership, differentiation, focus, digitalization, innovation, market orientation, and nonmarket) can have a positive impact on performance, but only under specific conditions, such as environmental dynamism, competitive intensity, technological turbulence, organizational capabilities, and institutional quality. Differentiation and innovation-oriented strategies seem especially useful when customer preferences and technologies are subject to rapid change, while cost leadership is useful when process efficiencies, scale, and operational discipline can be maintained. Dynamic capabilities and strategic agility support competitive strategies in generating performance by allowing companies to sense changes in the market, reconfigure resources, speed up learning and redeploy assets. But digital transformation is not always a good thing: there is evidence that over-investment, under-investment, or lack of digital skills in Chinese and Vietnamese firms can create a paradox of digitalization, as productivity increases with the lack of financial returns. The article concludes that the key to performing well in Asian dynamic markets is not so much selecting one best strategy as ensuring a strategic fit among the four elements of competitive positioning, internal capabilities, digital maturity, institutional conditions, and environmental change speed. A contingent and capability based approach thus offers the best account of the competitive success of heterogeneous Asian economies.

Key words: *Competitive strategy; firm performance; dynamic markets; strategic agility; dynamic capabilities; digital transformation*

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1. Introduction

Competitive strategy has been one of the dominant theories which attempt to explain why some firms are successful at outperforming the competition, whereas others have not been able to maintain profitability, growth, and market relevance. The classic literature on strategy highlights decisions related to cost, differentiation, focus, scope of the market, deployment of resources and competitive positioning (Porter, 1980, 1985). However, those who believe that a stable strategic position can be sustained for long periods do not fully appreciate the challenges in today's Asian business landscape. Rapid digitalisation, short lifespan of products, increased domestic and global competition, regulatory changes, platform competition, evolving consumer preferences, and frequent supply-side shocks are the challenges that every business across China, India, Indonesia, Japan, Malaysia, South Korea, Taiwan, Vietnam, and other economies in Asia is dealing with. Under such conditions, competitive strategy is much more than choosing on which side to play; it is constantly regenerating the capabilities that enable the side to be of value.

Asia is particularly significant in analyzing this issue as it includes very diverse market conditions. Alongside the large emerging economies of China and India, and the fast-changing markets in Southeast Asia, are the advanced industrial economies of Japan and South Korea. There are also significant variations between the firms in terms of ownership, access to finance, technological capability, international exposure, institutional support and managerial systems. Such heterogeneity implies that a strategy that has been linked to better performance in one national and/or industry context might achieve poorer performance in another. This contingency view is therefore crucial: strategy must be contingent on the environmental conditions and cannot be expected to work always.

A generic strategy framework suggested by Porter (1980) is that a company can out-compete its competitors by adopting a cost leadership strategy, a differentiation strategy, or a focus strategy. The idea of coherent strategic positioning is generally supported by subsequent studies, including empirical studies that have correlated the generic strategies to performance, although outcomes are contextual and dependent upon the combination of the strategies (Dess & Davis, 1984; Islami et al., 2020). In the Asian markets, recent evidence indicates that these effects can be changed by environmental dynamism. For instance, research on micro, small and medium enterprises in the batik industry in Indonesia revealed that dynamism had a positive influence on the performance contribution of differentiation, but a negative effect on cost leadership; moreover, competitive intensity affected both differentiation and cost leadership in relative terms (Ngatno & Prihatini, 2024). This type of discovery is an example of the reason a static strategy-performance model is not enough.

The second stream of strategy research moves from market position to firm's resources and capabilities. The resource-based view contends that high value, scarce, inexplicable, and embedded resources can lead to a sustained competitive advantage (Barney, 1991). This logic is extended to turbulent environments where it is the ability to sense opportunities, seize them, and reconfigure assets as markets change that is emphasized (as in dynamic capability theory, Teece et al., 1997; Teece, 2007). Hence, strategic agility, organizational learning, open innovation, digital capabilities and ambidexterity can be considered to be mechanisms for maintaining competitive strategy in line with the outside environment.

This turnaround is confirmed by recent evidence in Asia. Based on the results of the study on Vietnamese ICT SMEs, it can be seen that dynamic capabilities directly affect the performance of the business and indirectly affect the performance through the mediation of entrepreneurial leadership and entrepreneurial orientation. Korean SMEs show that strategic agility leads to responsiveness and customer retention; financial impacts are not as straightforward (Shin et al., 2015). Research on Chinese listed and manufacturing companies demonstrates that digital transformation can yield positive impacts on financial performance, resilience, innovation and competitiveness when digital investment is converted to

organizational capabilities but also can cause higher costs or can be accompanied by diminishing returns when digital transformation is not well governed (Guo et al., 2023; Gu et al., 2026).

This article investigates the link between competitive strategy and firm performance in dynamic Asian market contexts by integrating strategy and empirical evidence. Central theme: Competitive positioning is not sufficient as an explanation of performance. The impact of strategy is contingent upon strategic fit: Market position, organizational resources, dynamic capabilities, digital maturity, industry conditions, and institutional context. The analysis thus poses three questions: What are the competitive strategies that are linked to better firm performance in Asian markets? How do the strategy and performance relationship change as a result of environmental dynamism and competitive intensity? What are key capabilities for turning strategy into superior performance during times of rapid change in market conditions?

2. Theoretical Foundations

Theoretically, the strategy-performance relationship can be understood from four angles: industrial organization and competitive positioning, resource-based view, dynamic capabilities, and contingency or strategic-fit theory. These views, taken collectively, account for both the sources of firm performance in the outside world and the sources in the inside world.

The industrial organization approach focuses on industry structure, competitive forces, and strategic position. Porter (1980, 1985) put forward that companies can gain an advantage by being able to produce at a lower cost, by providing a differentiated value or by targeting a specific market segment. The activities, resource commitments, pricing, value proposition and operational priorities are all driven by a coherent strategic position. Differences in performance among strategic groups have been consistently identified in empirical studies, lending support to the notion that companies with consistent strategic orientations can outperform companies with less strategic coherence (Dess & Davis, 1984). Some more recent studies also find that cost leadership, differentiation, focus are positively related to firm performance, with differentiation having an especially strong impact if the customers value attributes that are unique and innovative (Islami et al., 2020).

But with the changing of the environment, positioning theory is incomplete because the firm position's defense velocity cannot be faster than the velocity of the environment change. Resource-based view focuses on internal heterogeneity and suggests that firms with better resources/capabilities can develop advantages that can be difficult for rivals to duplicate (Barney, 1991). The resources can be technological, distribution, data, brand reputation, manufacturing routines, human capital, ecosystem partnerships and government and institutional connections in the Asian context. However, when technology, consumer demand or competitive rules change, valuable resources can become irrelevant.

Dynamic capability theory is a solution to this problem. Dynamic capabilities are defined by Teece et al. (1997) as the organizational capability to combine, create, and reconfigure competences in rapidly-changing environments. Later, Teece (2007) regrouped these processes as sensing, seizing, and transforming. Eisenhardt and Martin (2000) stress that dynamic capabilities can be manifested as observable organizational routines such as product development, alliance formation, reallocating resources, or strategic decision routines. Given dynamic markets in Asia, the performance impact of a competitive strategy is thus contingent on the ability of firms to adaptively change the resources and routines that underpin the strategy.

Strategic agility is closely related. Agile companies recognize shifts rapidly, get management on board with the action and realign resources with minimal delay. The evidence from Korean SMEs shows that agility is rooted in technology capability, collaborative innovation, organizational learning and internal alignment, and that these capabilities would enhance operational responsiveness and customer retention (Shin et al., 2015). In addition, a broader comparative analysis reveals that strategic agility is both positively and significantly associated with performance in developed and emerging markets and that external knowledge

search can amplify the effects of strategic agility (Vrontis et al., 2023). On this interpretation, agility is not the replacement for competitive strategy, but the way of keeping competitive strategy relevant.

Ambidexterity of the organization is another important dimension. Firms need to use what they've got and look for new opportunities (March, 1991). Too much exploitation can lead to efficiency while too much exploration can lead to innovation without discipline. Ambidexterity is a way to combine both logics. Long-term adaptation requires the ability to engage in both exploitation and exploration simultaneously or sequentially as O'Reilly et al. (2013) claim. It is especially important for Asian companies that are under cost pressure and are having to deal with the new technology driven market dynamics.

Lastly, according to the contingency theory, there is never one best way to do things. The value of strategic choices is influenced by environmental dynamism, competitive intensity, technological turbulence, firm size, industry characteristics and institutions. Based on the example in Indonesia, differentiation is more effective in dynamic conditions, while the advantage of cost leadership can be diminished when the required standardisation of efficiencies is eroded by change (Ngatno & Prihatini, 2024). Emerging economy evidence also shows that there is an interaction between institutional quality and industry dynamism in determining firm performance, which further highlights the importance of considering the context of strategy (Kafouros et al., 2024).

3. Review Approach

A critical integrative review approach is used in this article, not new primary survey data. This review is a blend of key strategic-management literature and recent empirical research that is pertinent to dynamic markets in Asia. Papers that directly investigated the issues of competitive strategy, environmental dynamism, dynamic capabilities, strategic agility, digital transformation, innovation, institutional conditions, and firm performance were given particular consideration. Evidence was chosen from various Asian settings (China, India, Indonesia, Japan, Malaysia, South Korea, Taiwan, and Vietnam), as well as from the broader emerging-market literature when it was appropriate to provide a boundary condition for understanding the results of the Asian settings.

Synthesis takes place on a thematic level. Studies were grouped into five analytical areas: generic competitive strategies; dynamic capabilities and strategic agility; digital transformation and innovation; market and nonmarket strategy; and institutional or industry contingencies. A broad interpretation was given to the meaning of performance because different operational aspects such as profitability, Tobin's Q, financial health, customer retention, productivity, competitiveness, resilience, sales growth and innovation related performance were used in empirical studies. The review assumes that, instead of these indicators being interchangeable, they are complementary dimensions of organizational performance. Thus, results that appear contradictory can be seen as a matter of different time frames, sectors, capability and performance parameters.

4. Competitive Strategy and Performance in Asian Dynamic Markets

The results of the empirical study indicate that competitive strategy is important in Asia, and that the performance impact of competitive strategy is contingent on organizational and environmental factors. Several recurring patterns are evident. Differentiation does seem especially relevant in dynamic markets. Differentiation allows companies to differentiate themselves based on product quality, design, service, brand, customer experience, customization, technology, or speed—factors other than just price. In a fast-changing market, this strategic logic may offer greater flexibility as companies are not so constrained by keeping a fixed low cost structure. The findings of Ngatno and Prihatini (2024) in Indonesia serve as an example: differentiation had a greater impact on performance under environmental dynamism and cost leadership had a lesser impact. Their findings also suggest that the strengths of these relationships may shift with increased competitive intensity, suggesting that market structure influences the value of each strategy.

Previous Japanese research also suggests the relevance of differentiation and higher value strategies in technology intensive companies. Liao and Cheung (2002) identified that high technology firms in Japan were more inclined towards R&D activity than going for simple cost leadership.

Cost leadership is still a factor, however, For many Asian industries, the key to the competition is size, to produce efficiently, to buy without laxity, to standardize processes, to control the supply chain. Cost leadership can be particularly important when demand is price sensitive and when process advantages can be maintained. The down side is that a cost advantage can dissipate just as rapidly as new technology, volatile input prices, evolving regulations, or mimicry by rivals. This may be one of the reasons why dynamic environments can dampen the effect on performance that cost leadership can have (unless the firm is also equipped with strong learning and reconfiguration capabilities).

Second, hybrid and combination strategies are becoming more relevant. The classical strategy theory cautions that a company that tries to pursue a low cost and differentiation strategy can become "stuck in the middle." But modern Asian findings argued that firms must be efficient and distinctive. The Japanese trading companies have previously proved that they can achieve performance through a combination of strategically related decisions in both structure and environment adaptation, as well as through a strategy decision alone (Jun, 2010). In a digital economy, firms can sometimes choose to pursue both efficiency and differentiation, as data, automation, modular technologies and platform architectures help reduce some of the previous trade-offs. The point isn't so much the combination of strategies as it is the organization's ability to perform the combination coherently.

Third, a linkage role between the competitive position and performance is played by strategic agility and dynamic capabilities. According to the findings of Shin et al. (2015), strategic agility of Korean SMEs contributed to enhancing the operational agility, which in turn helped in retaining customers. The findings of Nguyen et al. (2024) showed that the direct effect of the dynamic capabilities on the performance of Vietnamese ICT SMEs was significant, and the mediating role between entrepreneurial leadership and entrepreneurial orientation was also significant. This implies that strategic intent will yield better results if firms have processes to sense change, learn about it, combine knowledge and coordinate resources.

Such capability effect is particularly relevant in emerging Asian markets, where a growth in the market may occur alongside an institutional uncertainty, a poor distribution network, changing regulations, and fast changing technology uptake. Based on the data taken from manufacturing listed companies in Indonesia, Handoyo et al. (2023) reveal that market uncertainty and competitive intensity have an impact on strategic orientation, which in turn has implications for the company's performance. This is evidence for a fit perspective: firms have to have an orientation and capability configuration that fits their environment.

Fourthly, innovation and digital transformation are becoming mediators between strategy and performance. A number of studies in China have yielded positive as well as cautionary results. Gu et al. (2026) demonstrate that digital transformation has a positive impact on the performance of Chinese manufacturing companies mainly by enhancing the servitisation and product innovation capabilities, and that the intensity of IP protection reinforces the value appropriation phase. This result is in line with the theory of dynamic capabilities as digital investments become value only when it is translated into capabilities of the organization and not merely a piece of technology spending.

But there is a digitalization paradox in other Chinese evidence. Guo et al. (2023) revealed that while digital transformation boosted TFP, it might negatively affect the firm's performance by driving up operating costs, decreasing asset turnover, and increasing management costs. They also found that moderate digital transformation was more beneficial than both very low and very high. This is strategically important because it shows that investing in technology does not necessarily mean that this is a competitive strategy.

Digitalization needs to be embedded in the business processes, management attention and capability development.

The diversity of the same is seen in Vietnam. The researchers Vu et al. (2024) discovered that the positive financial impact of digital transformation was not uniformly distributed across all companies, but rather concentrated on higher-performing ones. This means that there is an organizational strength precondition that conditions the payoff from digital strategy. Weaker firms may spend to transform but not gain the same benefits, and stronger firms may use the digital tools to amplify their benefits. The implication is a recursive process – capabilities promote transformation, and transformation promotes capabilities.

Fifth, there is some interaction between market strategy and nonmarket strategy in Asia. This is especially apparent in China where companies are embedded in intricate regulatory, political and institutional contexts. The market and nonmarket strategic emphasis were found to have performance implications that were dependent on the market turbulence (Zhang et al., 2021). They conclude that companies can gain from a combination of competitive actions and institutional involvement instead of considering market competition as the sole arena of action. This discovery is in line with the institution-based view that a firm's strategy depends on formal and informal rules particularly in emerging economies.

This is because the same strategy does not work the same way in different countries, but because of institutional conditions. Building on the analysis of firms in emerging economies, Kafouros et al. (2024) revealed that the performance effects of institutional quality are different depending on industry technological and market dynamism. This implies that the impact of legal predictability, governance quality, protection of property rights, financial systems and regulatory effectiveness varies across firms. Their worth is partly dependent upon the kind of competitive surroundings in which the enterprise is operating.

Sixth, in capability-based models the structure of the industry is still important. By examining 769 listed companies in Taiwan, Wang et al. (2024) concluded that the firm-level innovativeness, organizational resources, and slack resources are all associated with firm performance, and the industry potential, size, dynamism, and competitiveness change the relationship between these. The effect of firm-level advantages could be offset by high industry competitiveness, while industry potential further bolstered it. The study is important because it combines the internal and external explanations instead of considering them as alternatives.

Finally, this combined interpretation is supported by long-run evidence from Japan. Kotha (1995) determined the factors affecting profitability in the Japanese machine-tool industry by strategy and environment and that environment conditions had played significant role for the profitability in the Japanese machine-tool industry. Inui et al. (2012) also found that the three forces of competition, technological differences, and productivity improvement don't work in isolation. The findings indicate that competition can drive firms to innovate and move forward, but can also exacerbate the gap between firms, and hence create a competitive advantage for those firms with superior technology and innovation resources.

The Asian evidence as a whole suggests that there is no universal “best strategy.” Cost leadership, differentiation, focus, innovation, agility, digitalization and institutional engagement all have the potential to deliver performance, but only if they can be implemented and are fit with the environment. Dynamic markets give an edge to the firms which have a clear competitive logic and can change their logic when circumstances change.

5. Cross-National Evidence and Strategic Patterns

Table 1 summarizes representative evidence from Asian economies. The studies differ in sector, methodology, and performance measures, but collectively demonstrate that competitive strategy is contingent on both organizational capability and environmental conditions.

Table 1. Representative Evidence on Competitive Strategy and Performance in Asian Markets

Country / context	Representative evidence	Main strategic implication
China	Zhang et al. (2021); Guo et al. (2023); Gu et al. (2026)	Market and nonmarket strategy interact with turbulence; digitalization creates value when capability building and value appropriation are aligned.
India	Sarbhai and Khare (2024)	Data analytics and strategic planning can support competitive performance when analytical resources are converted into decision capability.
Indonesia	Handoyo et al. (2023); Ngatno and Prihatini (2024); Saputra et al. (2024)	Strategic orientation, differentiation, dynamic capabilities, and digitalization are shaped by competition intensity and market uncertainty.
Japan	Kotha (1995); Liao and Cheung (2002); Inui et al. (2012)	Strategy and environment jointly influence performance; higher-value differentiation and technology capability support innovation and productivity.
Malaysia	Saddam et al. (2023)	Dynamic capabilities are relevant to financial performance and adaptation among growth-oriented listed firms.
South Korea	Shin et al. (2015)	Strategic agility improves responsiveness and customer retention, but financial gains are not automatic.
Taiwan	Wang et al. (2024)	Firm-level resource advantages interact with industry potential, dynamism, scale, and competitiveness.
Vietnam	Nguyen et al. (2024); Vu et al. (2024)	Dynamic capabilities support SME performance; digital transformation benefits are stronger among already high-performing firms.

6. How Dynamic Environments Alter the Strategy-Performance Relationship

There are several ways in which environmental dynamism influences competitive strategy. The first is a shorter strategy life. A differentiated product, process innovation, distribution advantage or data capability can give rise to high returns — but competitors can mimic or circumvent the source of advantage. Renewing is thus not an act of defending advantage, but rather of doing so. As such, the dynamic capabilities help with the process of renewal in that they provide the means of sensing and reconfiguring resources (Teece, 2007).

The second mechanism is an increase in the uncertainty of strategic returns. It takes time to see the payoffs for investments in technology, innovation, brands or new channels. Chinese digital-transformation research indicates that financial gains could come after capability building and these gains are dependent on the degree of digital intensity. This means that managers need to differentiate between short-term accounting impacts and long-term strategic benefits. Although a transformation can start with an increase in costs, it can also generate valuable option value, but uncontrolled investment can lead to the loss of returns (Guo et al., 2023; Gu et al., 2026).

The third mechanism is the quickening of the consumers' preference change. Differentiation is more important when it can be recognised and reacted to a changing demand, but less important when it is based on attributes customers no longer want. Strategic sensitivity is thus of key importance. Companies require market intelligence, data about their customers, experimentation, and quick turnaround cycles. Differentiation's performance impact is contingent on constant and continuous updating of the uniqueness.

The fourth mechanism is increased competitive imitation. If the opponent can easily see and copy the strategy, the strategic move is not a real strategic advantage anymore, but the ability to make it. Tacit process knowledge, supplier relationships, analytics, and organizational routines are a lower-cost system and are more difficult to copy than a price cut. Similarly, digital platforms, innovation pipelines, and customer-experience systems are more advantageous when they are integrated into capabilities than when they are bought as stand-alone technology.

The fifth is institutional interaction. Policy, industrial upgrading schemes, data regulations, trade barriers, subsidies, IPR, and state-business relations are key features of dynamic Asian environments. Institutional

sensing should, therefore, be a part of competitive strategy. The Chinese evidence regarding market and non-market strategy suggests that firms might have to engage in a dual competition in both the product markets as well as in institutional arena (Zhang et al., 2021). A Chinese 2026 study, which demonstrates the positive link between a better level of IP protection and digital returns, is another evidence of the role of institutional environment in value appropriation (Gu et al., 2026).

The last mechanism is the speed at which resources are reallocated. The strategy might be right, but if the organisation can't move capital, talent, technology or managerial attention on a fast enough timescale, it cannot be effective. In the context of strategic agility, information is transformed into action. This is where leadership unity, internal alignment and resource fluidity are important in volatile contexts (Shin et al., 2015; Vrontis et al., 2023).

Another implication relates to the strategic resilience vs short-term competitive efficiency. Besides the typical rivalry found in the normal market, dynamic markets reveal firms to different kind of discontinuities like supply-chain disruption, sudden change in demand, financial fluctuations, regulation, and technological substitution. A strategy that is narrowly optimized can work well in the event of expected conditions but can be brittle when assumptions are altered. Preserving strategic options is thus one way that dynamic capabilities contribute to performance. In a static cost comparison, a number of resources, multiple suppliers, modular technologies, cross-functional knowledge, and diversified market channels can seem like inefficiency, but they can ensure continuity and fast recovery in case of disruption. This is why Wang et al. (2024) consider organizational and slack resources as valuable factors for firm level advantage, but industry competitiveness can moderate their performance impact.

The strategy-performance mechanism is also affected by firm size. Large Asian corporations can have capital, brand strength, data, and political access; however, their size can lead to a delay in reallocating resources and structural inertia. SMEs typically don't have these buffers, but can also react faster because structures to make decisions are simpler and market feedback is more readily available to the owners and managers. In the Korean and Vietnamese SME evidence, agility, an entrepreneurial orientation and dynamic capabilities serve as mechanisms to overcome resource limitations and transform them to quick learning and coordinated actions (Shin et al., 2015; Nguyen et al., 2024). This means that SMEs' competitive advantage might not so much be about the size of their resources, but about their ability to be efficient about using networks, alliances, digital platforms and external knowledge.

Internationalization introduces another element of dynamism. More and more, Asian companies are fighting and competing on various markets with different customers, standards, institutional systems, and technological trajectories. What works at home, could need to be adapted for overseas. The question is what should be kept centralized for efficiency and what should be localized to be responsive? This tension is similar to the general tension between exploration and exploitation that March (1991) observed—firms must maintain a balance between consistency to build on existing capabilities and openness to exploration and local learning. In particular, strategic agility is important because it enables companies to maintain a consistent corporate strategy while making changes in the allocation of resources and market activities in the different countries.

Competitive ecosystems have also taken the place of stand-alone firm rivalry. Platform businesses, digital supply chains, innovation clusters, contract manufacturers, financial technology ecosystems, and cross-border partnerships imply that companies can at the same time compete and collaborate. In such environments, good performance requires the skill of orchestration: choosing partners, sharing information, safeguarding proprietary knowledge, and combining complementary assets. This logic is in keeping with the dynamic capability view, where competitive advantage is more and more based on the configuration of resources within and outside of the firm. It also contributes to understanding the link between strategic agility and performance in emerging markets (Vrontis et al., 2023).

The implications of these patterns are that managers should consider thinking in terms of strategic portfolios, rather than single strategic labels. Cost discipline, selective differentiation, digital investment, innovation, institutional engagement and resilience capabilities can all be combined in the relevant portfolio. Weights for each element should be updated based on the changing environment. The aim of strategy is not therefore to maximise flexibility at every moment of time, leading to a lack of focus and excessive switching costs, but to find a stable competitive logic which is backed by capabilities that enable quick adaptation when needed. The delicate balance between commitment and adaptability is the key strategic issue in dynamic Asian markets.

7. Strategic Implications for Firms in Asian Markets

Six managerial implications are suggested based on the evidence. Managers should first establish what a competitive strategy is: a system of activities, not a slogan. Cost leadership is achieved through disciplined processes, scale economics, capability of procurement and continuous productivity improvement. Differentiation is based on understanding the customer value, innovation capacity, brand credibility, service quality or technological uniqueness. Without an activity system that makes it credible, a firm cannot claim a strategy.

Secondly, the environmental dynamism should be used as a criterion for strategy checking. In relatively stable segments, one might only need efficiency and incremental improvement in process. In rapidly evolving industries, companies need to focus on strategic sensitivity, experimentation, modular allocation of resources and speed of decision-making. But that doesn't forgo long term direction; it means that one can distinguish between strategic intent and the hardwiring of strategic implementation.

Third, transformation needs to be capability driven not technology driven. Both China and Vietnam studies reveal that the performance payoff of digitalization is heterogeneous. Companies need to link digital investments with clear strategic goals, e.g. faster product development, reduced transactions costs, servitization, supply-chain transparency, customer analysis or innovation. Without complementary skills, process redesign, governance and absorptive capacity technology can raise costs but generate no advantage.

Fourth, enterprises should be ambidexterous. Many Asian businesses are under the double pressure of getting things done and being innovative. Managers can preserve the integrity of core business processes and establish a structure, budget, team, partnership, or a portfolio to foster exploration. The balance will vary from industry to industry; however, if either exploitation or exploration is neglected, vulnerabilities exist.

Fifth, firms should measure performance multi dimensionally. Strategic actions might enhance customer retention, resilience, productivity, innovation or market share before enhancing accounting profitability. The evidence from the Korean agility study and the Chinese digitalization indicates that operating or productivity improvements do not always result in immediate financial results. Balanced measurement helps to prevent prematurely eliminating successful strategies, and helps to avoid the prospect of continuing unsuccessful strategies simply because of non-financial enthusiasm.

Sixth, companies need to consider the institutional strategy in the competitive analysis. The capacity to be compliant, intellectual-property protection, local partnerships, policy engagement, and regulatory knowledge can offer some competitive advantages in the Asian market. It is not customer value, it is one component in an overall environment of how value can be created and captured.

8. Policy and Ecosystem Implications

The results are not only relevant for individual companies. Governments and ecosystem institutions shape the returns to competitive strategy by providing infrastructure, competition policy, digital regulation,

education, the protection of intellectual property, financing systems and supports for innovation. When strategic investments are predictable, institutions can reduce the size of such investments, and when competitive pressure is strong, strategic investments can be made to stimulate innovation when firms are able to respond. But too volatile regulation can lead to shorter investment periods and to defensive instead of innovative investment.

Policy should thus foster capability development and not just technology adoption. Investing in digital tools and technologies without building up managerial competences, innovation systems, human capacities, data governance and institutions surrounding IP rights can yield low returns. In a similar way, SME policy should facilitate access by companies to knowledge networks, export capacity, finance, and digital skills to enable implementation of competitive strategy into sustainable performance.

9. Limitations and Future Research

There are a number of limitations to this review. First, Asia is not a homogeneous strategic environment. Results from one country are not automatically transferable to another one due to the fact that there are differences in institutions, development level, ownership structure, industrial structure, and culture. Secondly, the reviewed literature employs a variety of metric measurements of strategy and performance that do not allow for direct comparison. Profitability, productivity, competitiveness, resilience, customer retention, and Tobin's Q are measures of various outcomes over different time periods.

Third, cross sectional survey studies are used in many studies, which limits the causal interpretation. Strategic investments are typically ones where the payoffs come later and, in particular, longitudinal research is important. It offers a clear illustration: the costs of capability-building could be incurred upfront, but the benefits to performance may be achieved later. Fourth, selection effects are still important. It can be difficult to tell which came first, as high-performing companies might be more likely to use digital technologies, innovate, hire good managers, or enter alliances.

Future studies should be on matched industries in different Asian countries, and specific effects of strategies tested with explicit inclusion of the moderating effects of institutional quality, technological turbulence, competitive intensity and market growth. Strategic configurations, too, should be explored and not individual variables. For instance, maybe differentiation, digitalization, strategic agility, supply-chain resilience, and nonmarket capability are all important to performance and no single one is a complete answer. More focus should also be placed on the effects on performance of artificial intelligence, platform competition, geopolitical fragmentation and sustainability-related regulation, which are changing the competitive landscape for Asian companies.

10. Conclusion

While “competitive strategy” is a strong influence on firm performance, evidence drawn from the dynamic Asian markets indicates that this influence is not universal. Value can be created through cost leadership, differentiation, focus, innovation, digitalization, agility and nonmarket engagement, but none of these can be successful alone. The most compelling frame of a strategic fit is one that suggests that the competitive position has to be in congruence with the internal capabilities and the environment.

In a turbulent environment, differentiation is likely to be more important if preferences and technologies are rapidly evolving and cost leadership is important if efficiency gains can be maintained in the face of turbulence. Firms renew the resources that underlie their positions through dynamic capabilities, strategic agility, and organizational learning. Digital transformation can deliver a greater competitive advantage, but in combination with product innovation, servitization, process redesign, data utilization and managerial competence. Otherwise, companies could face a digitalization paradox, in which they invest in digitalization and productivity rises but they don't see a corresponding boost in their bottom line.

In all countries - China, India, Indonesia, Japan, Malaysia, South Korea, Taiwan and Vietnam - the message is that competitive advantage is becoming more fleeting and more skills-intensive. While firms need to select a consistent competitive logic, they also need the capability to adapt and adjust their activities, redeploy resources, learn from markets and react to institutional changes.

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