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Tian, Xiaowen; Lo, Vai lo; Zhai, Xiaoxuan

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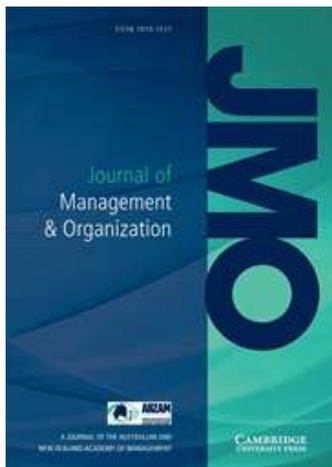
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XIAOWEN TIAN, VAI IO LO, XIAOXUAN ZHAI

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Abstract

This paper extends the resource-capability-based view in strategic management and discusses the capabilities for the firms to stay competitive in emerging economies. Faced with low levels of efficiency, technology, and skills, firms in emerging economies need to implement best management practices to overcome operational inefficiency while engage in innovation processes to address new opportunities. They have to develop the capabilities to enhance efficiency, the capabilities to undertake innovation, and the synthesis capabilities to combine the two to keep rivals at bay. The paper tests hypotheses against a data set of more than 20,000 firms from 36 emerging economies provided by the World Bank in 2012–2015 and finds strong evidence to support the arguments. The paper finds that the three sets of capabilities are positively related to productivity and, through it, financial performance.

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