Firm Survival under Domestic and Foreign Competition: An Integrative Review of Product Innovation, Cost-Efficiency Strategies and Strategic Market Adaptation

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ABSTRACT

This review examines how product innovation, cost-efficiency strategies and strategic market adaptation shape firm survival under domestic rivalry, multinational entry and import competition. A structured integrative review design is used to synthesize peer-reviewed research published between 2019 and 2026 across strategic management, international business, entrepreneurship, industrial economics and organizational resilience. Because the evidence varies substantially in context and method, the analysis relies on thematic comparison rather than statistical aggregation. The study found that competitive pressure does not produce a uniform strategic response. Innovation can protect firms through differentiation, quality upgrading and renewed customer value, but severe import pressure may also constrain research and development, particularly among firms with weak resources or distant technological positions. Cost efficiency supports survival when it raises productivity, improves processes and releases resources for renewal; indiscriminate retrenchment can instead erode capabilities. Strategic adaptation, including servitization, business-model innovation, digitalization, alliances and market repositioning, is especially important where direct price competition is unsustainable. Across the literature, outcomes depend on absorptive capacity, financial slack, managerial capability, institutional support, sector and competitive intensity. The review integrates three frequently separated response domains into a single capability-based account of survival. It argues that survival is most plausible when firms combine distinctive products, disciplined resource use and timely market reconfiguration.

Keywords: cost-efficiency strategies, domestic and foreign competition, firm survival, product innovation, strategic market adaptation

INTRODUCTION

Competition within national markets has been reshaped by trade liberalization, multinational expansion, digital technologies and the wider availability of imported products. Domestic firms no longer compete only with neighboring enterprises that share similar factor markets and institutional constraints. They increasingly confront foreign-owned producers with established brands, broad distribution systems, accumulated technological knowledge and access to international finance. Imported products can intensify this pressure even when foreign firms have no local subsidiary, because buyers can compare price, quality and variety across a much wider field. Yet competitive exposure is not uniformly destructive. It can reveal inefficiencies, accelerate learning and encourage firms to improve products or reorganize production. The central question

is therefore not simply whether foreign competition harms domestic firms, but why some firms renew themselves while others contract or exit.

Recent evidence captures this ambiguity. Import competition has been associated with altered patenting and technology-search behavior, product-quality upgrading, imitative innovation, worker reallocation and changes in vertical boundaries (Autor et al., 2020; Lam et al., 2022; Liu et al., 2021; Morandi Stagni et al., 2021; Stiebale & Vencappa, 2022). At the same time, exposure can displace sales, strand resources and widen the distance between productive leaders and lagging firms (Bloom et al., 2021; Friesenbichler et al., 2024, 2026; Torreggiani & Andreoni, 2023). Such differences suggest that competitive pressure is filtered through firm-level capabilities, market structure and institutional conditions rather than transmitted mechanically into a common outcome.

Three strategic responses recur across this literature. Product innovation enables firms to differentiate, improve quality and offer value that is not readily reproduced through price competition. Cost-efficiency strategies seek to preserve margins through process improvement, digitalization, productivity gains, supply-chain redesign and better allocation of labor and capital. Strategic market adaptation changes where and how the firm competes through servitization, business-model innovation, alliances, digital channels, repositioning or diversification (Torreggiani & Andreoni, 2023). These responses are analytically distinct but operationally interdependent. Innovation without cost discipline may exhaust scarce finance; cost reduction without innovation can trap a firm in commoditized markets; and market adaptation without a credible resource base may produce fragmented experimentation.

The issue is especially consequential in emerging and developing economies, where firms often face high financing costs, infrastructural deficiencies and uneven institutional support alongside foreign competition. African evidence shows that responses to import penetration and environmental disruption are heterogeneous. South African manufacturers, for example, do not experience Chinese import competition in identical ways, while Nigerian manufacturing evidence connects dynamic capabilities with organizational resilience (Akpan et al., 2022; Torreggiani & Andreoni, 2023). A review that integrates innovation, efficiency and market adaptation can therefore clarify the conditions under which competitive pressure becomes a stimulus for renewal or a pathway to exit.

Problem Statement

Domestic firms frequently enter competition from an unequal starting position. Multinational enterprises may spread fixed research, branding and distribution costs across several markets, while imported products may benefit from scale economies, specialized supplier networks and more reliable infrastructure. Local firms can consequently lose market share even where they possess contextual knowledge and established customer relationships. The pressure is sharper for small and medium-sized enterprises because limited finance and managerial depth constrain simultaneous investment in quality, technology and market development.

The empirical literature nevertheless offers no settled account of how firms should respond. Some studies portray foreign competition as a disciplinary force that stimulates innovation, quality upgrading and productivity improvement. Others indicate that severe import pressure reduces expected returns to research, induces defensive reallocation or accelerates contraction. Autor et al. (2020), Liu et al. (2021) and Lam et al. (2022) illustrate different innovation and quality responses, whereas the evidence synthesized by Shu and Steinwender (2019) makes clear that trade-induced technical change depends on context and firm heterogeneity. Similar ambiguity surrounds efficiency. Vertical integration, offshoring and worker reallocation may protect margins, but adjustment costs can weaken employment, accumulated routines and innovative capacity (Gu et al., 2022, 2024; Stiebale & Vencappa, 2022).

A further problem is conceptual fragmentation. Trade and industrial-economics studies commonly estimate the effects of import exposure on productivity, innovation or exit, while strategy and entrepreneurship research examines resilience, dynamic capabilities, digitalization and business-model change. These conversations often proceed separately even though firms experience them as a single survival challenge. Crisis studies add useful knowledge about adaptation under severe disruption but do not, by themselves, establish how firms

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react to foreign competition. Without careful distinction, broad resilience findings may be treated as direct evidence on trade exposure.

There is thus a need for an integrative review that asks how product innovation, cost efficiency and strategic market adaptation jointly influence survival under domestic and foreign competition. Such a review must recognize conflicting evidence, identify the firm and environmental conditions that account for it, and distinguish continued operation from temporary profitability. It must also address the limited representation of African economies, services and informal enterprises in a literature dominated by formal manufacturing firms.

Objectives of the Study

The main objective of the study was to examine the strategies that promote firm survival under domestic and foreign competition. The specific objectives were to:

- Determine the effect of product innovation on firm survival under domestic and foreign competition.
- Examine the effect of cost-efficiency strategies on firm survival under domestic and foreign competition.
- Assess the effect of strategic market adaptation on firm survival under domestic and foreign competition.

Significance of the Study

The review contributes by connecting industrial-economics evidence on import exposure with strategy research on capabilities and entrepreneurship research on resilience. This integration shifts analysis from the average effect of competition to the mechanisms through which firms attempt to survive. Managers can use the framework to diagnose whether their immediate constraint concerns customer value, operating efficiency or market positioning.

Entrepreneurs and investors gain a basis for assessing whether apparent resilience rests on repeatable capabilities or temporary retrenchment. Industry associations can identify shared needs in technology, standards, logistics and market intelligence. For policymakers, the review distinguishes protection that merely delays adjustment from support that strengthens innovation, productivity and adaptive capacity. Its practical value lies in treating survival as continued viability and renewal rather than as the simple absence of bankruptcy.

Scope of the Study

The article is a structured integrative review of the reviewed peer-reviewed studies published from 2019 to 2026. It covers domestic rivalry, multinational entry, import competition, foreign products, organizational resilience and strategic adaptation. Evidence spans developed, emerging and developing economies and includes particular attention to African and Nigerian research where available. The substantive analysis centers on product innovation, cost-efficiency strategies and strategic market adaptation as explanatory domains, with firm survival as the outcome.

Limitations of the Study

The conclusions are constrained by the available published literature and by marked differences in measures, sectors and methods. Survival is variously represented by exit, continuity, growth, productivity, resilience or performance, and these outcomes are not interchangeable. Manufacturing and developed-economy evidence is prominent, while services, informal enterprises and many African markets remain underrepresented. Several resilience studies concern the COVID-19 crisis rather than foreign competition; they illuminate adaptation under disruption but cannot be treated as direct tests of import or multinational pressure. The review therefore draws mechanism-based conclusions and avoids pooled causal claims.

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Definition of Terms

Cost-efficiency strategies: coordinated actions that reduce unit costs or improve resource productivity without unnecessarily damaging quality, learning or future capacity.

Domestic competition: rivalry among firms serving the same national market under broadly shared legal and institutional conditions.

Firm survival: the capacity to remain in operation, avoid involuntary exit, preserve solvency and market relevance, and retain or renew capabilities needed for future performance.

Foreign competition: competitive pressure generated by multinational entry, foreign-owned firms, imported products, trade liberalization or rising import penetration.

Product innovation: the introduction or meaningful improvement of products, quality, features, technologies or value propositions, including imitative innovation where it creates a commercially relevant local offering.

LITERATURE REVIEW

Conceptual Framework

The conceptual framework positions product innovation, cost-efficiency strategies and strategic market adaptation as complementary explanatory constructs. Firm survival is the outcome, while domestic and foreign competitive intensity forms the environment in which strategic choices are made. Competitive intensity may increase the urgency and potential return of adjustment, but it can also erode the resources required to undertake that adjustment. Accordingly, the same strategy may have different consequences across firms.

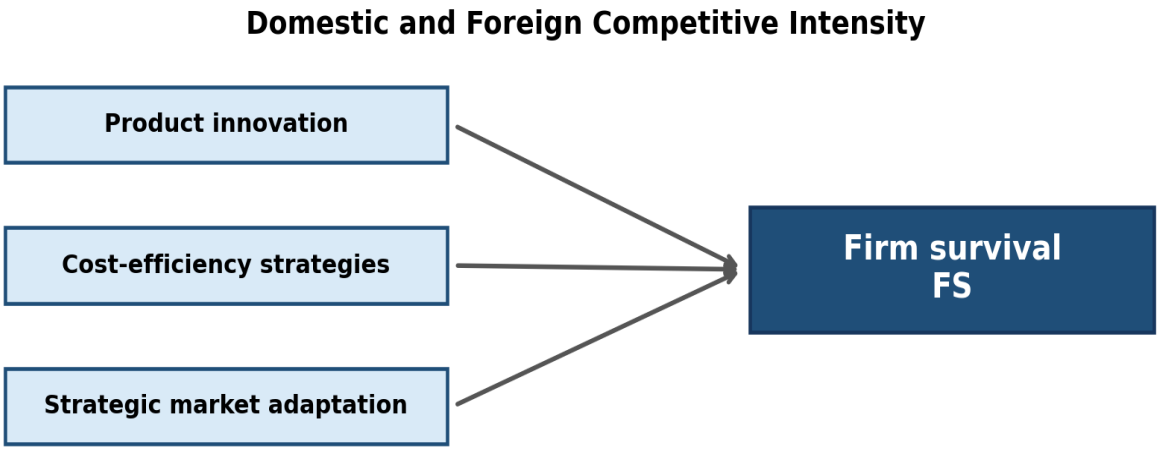


Figure 1. Conceptual model of firm survival strategies under domestic and foreign competition.

Table 1: Competitive context and the strategic response

Competitive context	Strategic response	Principal mechanism	Expected survival outcome
Domestic rivalry and foreign competition	Product innovation	Differentiation, quality upgrading, learning and renewed customer value	Market relevance, retained demand and reduced exit risk

Competitive context	Strategic response	Principal mechanism	Expected survival outcome
Domestic rivalry and foreign competition	Cost-efficiency strategies	Higher productivity, process improvement and resource release	Margin protection, liquidity and operational continuity
Domestic rivalry and foreign competition	Strategic market adaptation	Repositioning, servitization, digital channels, alliances and business-model change	Reduced direct confrontation, diversified demand and renewed competitiveness

Source: Researcher, 2026

Conceptually, FS = f(PI, CES, SMA), where FS denotes firm survival, PI product innovation, CES cost-efficiency strategies and SMA strategic market adaptation. The vertical bar indicates that the relationships are conditioned by financial capacity, technological position, managerial quality, sector and institutions. The model does not assume automatic or linear effects.

Concept of Firm Survival under Domestic and Foreign Competition

Firm survival is often measured as continued legal or operational existence, yet this binary conception says little about the quality or durability of continuity. A firm may remain registered while losing customers, accumulating arrears or exhausting productive assets. A strategically useful conception therefore combines resistance to involuntary exit with the maintenance of financial, operational and market viability. Silva (2021) highlights the relevance of ownership and sector to exit, while Wu et al. (2019) connect local-firm survival under multinational entry to search strategy and environmental complexity. These perspectives move survival beyond a simple calendar outcome toward an interaction between competitive exposure and adaptive behavior.

Survival also differs from profitability and growth. Profitability records a period outcome; survival concerns the capacity to continue through adverse periods and renew future earning potential. Growth may improve resilience through scale and resource accumulation, but rapid expansion can create fragility where finance and routines lag behind operations. Organizational resilience is closely related but conceptually broader in process terms. Duchek (2020), Conz and Magnani (2020), Hillmann and Guenther (2021), and Saad et al. (2021) emphasize anticipation, coping, adaptation and recovery. Survival is one possible outcome of these processes, whereas resilience concerns the capacities and trajectories through which the organization responds.

The literature has accordingly evolved from treating survival as the avoidance of closure to examining how firms preserve a viable core while transforming. Crisis research shows that continuity may involve temporary retrenchment, digital migration, collaboration and business-model experimentation (Clauss et al., 2022; Klein & Todesco, 2021; Margherita & Heikkilä, 2021). Under foreign competition, transformation may entail quality upgrading, technology search, servitization or vertical reorganization (Gu et al., 2022; Lam et al., 2022; Morandi Stagni et al., 2021; Stiebale & Vencappa, 2022). Survival is therefore best regarded as a multidimensional and time-dependent outcome.

Other Issues Related to the Topic

Product innovation and firm survival

Product innovation can soften price competition by shifting comparison toward quality, functionality, design or local relevance. Foreign entry may expose domestic firms to new knowledge and provide a benchmark for upgrading. Lam et al. (2022) directly examine product quality under foreign competition, while Wu et al. (2019) show that emerging-economy firms may respond through imitative innovation. Imitation is not necessarily passive copying: it can reduce technological uncertainty and adapt established solutions to local

purchasing power, distribution or regulation. However, the incentive to innovate depends on whether firms expect to appropriate returns before import pressure erodes their market base.

The evidence is therefore conditional. Autor et al. (2020), Liu et al. (2021), Morandi Stagni et al. (2021) and Cheng and Son (2026) collectively indicate that competition changes the direction, intensity or organization of innovative activity, but not in one uniform direction. Firms near the technological frontier, with stronger absorptive capacity and finance, are better placed to treat competition as an inducement to innovate. Less productive firms may narrow search, imitate defensively or abandon research. Product innovation supports survival when it creates valued differentiation at a cost and speed consistent with the competitive window.

Cost-efficiency strategies and firm survival

Cost efficiency is broader than expenditure reduction. It involves raising output or customer value per unit of resource through process improvement, digitalization, supply-chain redesign, vertical integration and workforce reallocation. Stiebale and Vencappa (2022) show that import competition can alter vertical integration, while Gu et al. (2024) connect competitive exposure with worker reallocation and innovation. Digitalization studies similarly indicate that technology can reorganize processes and customer contact, although implementation capability remains decisive (Eller et al., 2020; Papadopoulos et al., 2020).

The central danger is capability-destructive efficiency. Firms under acute pressure may cut maintenance, training, product development and relationship-building because these costs are discretionary in the short run. Such measures improve immediate cash flow but can deepen long-run disadvantage. Financial resilience studies show why liquidity and financing diversity matter: firms need enough slack to absorb adjustment while preserving strategic investments (Cowling et al., 2020; O'Toole et al., 2022). Cost efficiency strengthens survival when it removes waste and improves coordination, not when it strips the capabilities through which future revenue will be earned.

Strategic market adaptation and firm survival

Strategic market adaptation concerns changing the arena or logic of competition. Gu et al. (2022) identify servitization as a response to Chinese import competition, allowing firms to supplement products with services that are harder to import or compare solely on price. Eiriz and Barbosa (2022) examine SME responses to multinational entry within a cluster, while Kitamura (2023) analyzes exclusive dealing as a defensive local strategy. These studies show that survival may depend less on defeating a larger rival than on building a defensible relationship, niche or complementary offering.

Business-model innovation, digital channels and coopetition extend this logic. Asemokha et al. (2019) connect business-model innovation and entrepreneurial orientation with international performance, while Matarazzo et al. (2021) explain digital customer-value creation through dynamic capabilities. Crisis studies reveal related mechanisms: collaboration can pool scarce resources, digital channels can preserve access to customers, and temporary business-model changes can maintain continuity (Crick & Crick, 2020; Clauss et al., 2022; Guo et al., 2020). These are indirect rather than trade-specific findings, but they clarify how rapid reconfiguration can preserve viable activity when the existing model becomes untenable.

THEORETICAL FRAMEWORK

Resource-Based View

The Resource-Based View is principally associated with Wernerfelt (1984) and Barney (1991). It assumes that firms differ in the resources and capabilities they control and that resources which are valuable, scarce, difficult to imitate and not easily substituted can sustain advantage. Its substance is internal heterogeneity: firms facing the same market pressure obtain different outcomes because their knowledge, technologies, brands, relationships, routines and financial resources differ.

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The theory explains why product innovation depends on knowledge and absorptive capacity, why cost efficiency rests on process routines and supply relationships, and why adaptation requires managerial and organizational resources. Its strength is its explanation of heterogeneous responses to a common competitive shock. Its limitation is relative under-specification of how resources are renewed when competition changes quickly. It may also encourage analysts to label successful outcomes as evidence of valuable resources after the fact. In this review, the Resource-Based View clarifies the asset base from which domestic firms confront multinational and import competition.

Dynamic Capabilities Theory

Dynamic Capabilities Theory is principally associated with Teece, Pisano and Shuen (1997) and later elaborations by Teece. It assumes that volatile environments require more than possession of valuable resources. Firms must sense threats and opportunities, seize them through investment and strategic choice, and transform assets, routines and business models as conditions evolve. The substance of the theory is purposeful resource reconfiguration under change.

Product innovation reflects sensing technological and customer shifts and seizing them through development or quality upgrading. Cost efficiency involves transforming processes and reallocating resources without destroying the knowledge base. Strategic market adaptation is the most direct expression of reconfiguration through new channels, services, alliances or business models. Evidence on Nigerian manufacturers, Chinese SMEs and digitally transforming SMEs supports the relevance of capabilities and business-model renewal to resilience and value creation (Akpan et al., 2022; Huang & Ichikohji, 2024; Matarazzo et al., 2021). The theory's strength is temporal and process sensitivity. Its limitations are measurement ambiguity and the risk of treating any successful change as a dynamic capability. It nevertheless offers the strongest anchor because the study concerns how firms alter their resource configuration in response to domestic and foreign competition.

Competitive Forces Theory

Competitive Forces Theory is associated with Porter (1980). It assumes that industry profitability and strategic pressure are shaped by rivalry, entry threats, substitutes, buyer power and supplier power. Its substance is the positioning of a firm within an industry structure. Foreign entry and imported products intensify rivalry and substitution, while global suppliers and buyers may alter bargaining power. Product differentiation can reduce substitutability; cost efficiency improves the ability to withstand price pressure; and market adaptation can relocate the firm toward niches or relationships with more favorable structural conditions.

The theory is strong in diagnosing external pressure and explaining why the same capability has different value across industries. Its limitation is a comparatively static view of industry boundaries and an emphasis on competition that can understate collaboration, institutional change and capability creation. Used alongside the Resource-Based View and Dynamic Capabilities Theory, it connects internal adaptation to the external structure that makes adaptation necessary. Dynamic Capabilities Theory remains the anchor because survival under changing competition ultimately requires sensing, seizing and transformation, while the other theories explain resource endowment and market pressure.

Empirical Review

Foreign competition, innovation and product quality

Research on innovation rejects both the simple claim that imports invariably discipline firms and the opposite claim that they invariably suppress inventive activity. Autor et al. (2020) examine foreign competition through US patent evidence, while Liu et al. (2021) investigate Chinese firms and Lam et al. (2022) focus on domestic product quality in a quasi-natural experiment. Morandi Stagni et al. (2021) add a strategic dimension by examining technology search under import penetration, while Campbell and Mau (2021) reinforce the importance of careful interpretation of trade-induced technical change. Across these designs, competitive exposure changes innovation incentives, but responses depend on firms' existing capabilities, expected returns and room for differentiation. Patent measures capture codified invention but may miss process, imitative and

service innovation; product-quality analysis captures market upgrading but not necessarily survival. The combined evidence therefore supports a conditional relationship rather than a universal effect.

Emerging-economy research further distinguishes frontier innovation from imitation. Wu et al. (2019) show that foreign competition can stimulate imitative innovation, a response that may be rational where firms lack resources for original research. Yet imitation is vulnerable when imported products retain cost or brand advantages. Cheng and Son (2026) examine how UK manufacturers alter research and development after trade shocks, reinforcing the need to consider time and firm heterogeneity. Reviews of trade liberalization similarly caution that average productivity and innovation effects conceal reallocation between firms (Shu & Steinwender, 2019).

Import competition, productivity and cost adjustment

Productivity studies show that competitive pressure operates through both within-firm improvement and between-firm reallocation. Friesenbichler et al. (2024, 2026) relate Chinese import competition to firm-level productivity and distance from the frontier in Europe. Their emphasis on technological position helps explain why some firms improve while laggards struggle to finance adjustment. Bloom et al. (2021) frame China's global growth impact partly through trapped factors, reminding researchers that labor and capital cannot always move costlessly toward more productive uses. Davis (2021) similarly links import competition to industry location and productivity growth in a small-country model.

Firm-level responses include vertical integration, offshoring, servitization and labor reallocation. Stiebale and Vencappa (2022) show that Indian firms can change vertical boundaries under import pressure, whereas Gu et al. (2022, 2024) reveal how Danish firms combine offshoring or servitization with workforce and innovation adjustments. These approaches may reduce unit costs or shift value toward less import-exposed activities, but they are not equivalent. Offshoring can lower input costs while increasing dependence on external networks; vertical integration can secure quality and supply but raise fixed costs; servitization can stabilize customer relationships but demands new capabilities. Cost efficiency is therefore a configuration problem rather than a single cost-minimization choice.

Multinational entry and survival of domestic firms

Multinational entry introduces direct rivalry as well as possible knowledge spillovers, supplier opportunities and demonstration effects. Wu et al. (2019) explicitly connect search strategy and environmental complexity with local-firm survival, indicating that the value of search depends on the competitive environment. Eiriz and Barbosa (2022) show that SMEs within a cluster can adopt varied strategic responses to multinational entry, while Silva (2021) demonstrates that ownership and sector shape exit patterns. Kitamura (2023) provides a formal account of exclusive dealing as a defense against powerful entrants. Together, these studies suggest that local embeddedness can be an asset, but only when translated into customer access, specialized knowledge or defensible distribution relationships.

The survival consequences of local defensive strategies remain normatively contested. Exclusive arrangements may protect investment and preserve local competition against a dominant entrant, but they may also restrict consumer choice or entrench inefficient incumbents. Strategic adaptation should therefore be evaluated by whether it creates genuine value and capability rather than merely blocks access. Industry structure, regulation and the relative efficiency of participants determine whether defensive positioning contributes to durable survival.

Business-model innovation and market adaptation

Business-model innovation becomes important when improving the existing product is insufficient. Asemokha et al. (2019) connect entrepreneurial orientation and business-model innovation to international performance, while Matarazzo et al. (2021) illustrate how digital transformation supports customer-value creation. Under import competition, Gu et al. (2022) show that servitization can redirect competition from standardized products toward integrated solutions. These studies converge on the importance of changing the

logic of value creation and capture, although performance measures do not always reveal whether the change reduces exit over time.

Temporary business-model innovation during the pandemic offers complementary evidence. Clauss et al. (2022) distinguish temporary responses from enduring transformation, and Wenzel et al. (2021) classify strategic crisis responses that include retrenchment, persevering, innovation and exit. Giones et al. (2020) and Thorgren and Williams (2020) show how entrepreneurs act under unfolding uncertainty. The competitive source differs from foreign entry, yet the underlying question is similar: whether firms can reconfigure rapidly before declining cash flow removes strategic choice. These studies support the mechanism of adaptation, not a direct inference about trade exposure.

Dynamic capabilities and organizational resilience

Capability-based resilience research describes survival as an unfolding process. Duchek (2020) emphasizes anticipation, coping and adaptation; Conz and Magnani (2020) develop a dynamic perspective; and Hillmann and Guenther (2021) scrutinize the construct's value and conceptual breadth. Saad et al. (2021) focus specifically on SME resilience. The common contribution is to replace static "resilient versus non-resilient" labels with capabilities and sequences. Their limitation is measurement diversity, since resilience is often inferred from managerial perceptions or performance rather than observed survival.

Firm evidence adds useful contingencies. Akpan et al. (2022) connect dynamic capabilities with resilience among Nigerian manufacturing firms. Iborra et al. (2020) emphasize ambidexterity and strategic consistency, suggesting that survival requires both exploration and disciplined coherence. Huang and Ichikohji (2024) identify business-model innovation as a mechanism through which dynamic capabilities support Chinese SMEs. Fainshmidt et al. (2019) qualify the entire argument by stressing strategic fit: capabilities create advantage when aligned with environmental requirements. This qualification is central to foreign competition, because sensing and transformation that do not address the actual source of cost, quality or access disadvantage may consume scarce resources without improving survival.

Digitalization, collaboration and continuity strategies

Digitalization can lower transaction costs, accelerate information flows and open direct customer channels. Eller et al. (2020) identify antecedents, consequences and challenges of SME digitalization, while Papadopoulos et al. (2020), Guo et al. (2020) and Klein and Todesco (2021) examine digital responses during the pandemic. Matarazzo et al. (2021) add the customer-value dimension. Taken together, these studies show that technology is not a self-executing survival strategy. Benefits depend on complementary skills, process redesign and the ability to convert data or connectivity into a valued market offering.

Collaboration can compensate for resource scarcity. Crick and Crick (2020) describe coopetition during crisis, while O'Toole et al. (2022) show how non-bank finance relates to SME resilience. Brown et al. (2020), Cowling et al. (2020), Kuckertz et al. (2020) and Juergensen et al. (2020) document financing and policy challenges during severe disruption. These sources are not direct studies of foreign rivalry, but they explain why potentially sound innovation or adaptation may fail when firms lack liquidity, partners or institutional support. Access to finance is therefore a conditioning variable, not itself evidence that a chosen competitive strategy is effective.

The broader crisis literature similarly portrays adversity as a mixture of threat and entrepreneurial opportunity, while showing that family ownership, creativity and policy conditions influence the available response (Belitski et al., 2022; Eggers, 2020; Kraus et al., 2020; Zutshi et al., 2021). These studies strengthen the interpretation of adaptive mechanisms, although they remain indirect evidence for the particular case of foreign competition.

Firm-level, sectoral and geographical differences

Differences across firms are not residual noise; they are part of the explanation. Technological distance, size, ownership, sector and location affect exposure and response. Friesenbichler et al. (2026) foreground distance

to the frontier, Silva (2021) emphasizes ownership and sector, and Torreggiani and Andreoni (2023) examine heterogeneous growth dynamics among South African manufacturers. Amiti and Heise (2025) connect import competition with US market concentration, reminding analysts that industry structure shapes both the severity of competition and the distribution of gains.

The geographical imbalance in the literature constrains transferability. Strong administrative and patent datasets support credible identification in the United States, Europe and China, but African firms often operate amid informality, infrastructure gaps and financing constraints that change strategic feasibility. Nigerian capability evidence and South African import-competition evidence are valuable but insufficient to represent the continent (Akpan et al., 2022; Torreggiani & Andreoni, 2023). Service firms are also underrepresented, despite their exposure to foreign brands, platforms and digitally delivered imports.

Research Gap

The first gap is analytical fragmentation. Innovation, efficiency, market adaptation, resilience and exit are commonly examined in separate literatures, limiting understanding of their complementarity and trade-offs. Second, studies often isolate import exposure or multinational entry without integrating domestic rivalry, although managers allocate resources across both pressures. Third, findings remain inconsistent regarding whether competition stimulates or suppresses innovation, partly because measures, time horizons and firm capabilities differ.

Further gaps concern context and outcome measurement. African and developing-economy evidence remains limited, manufacturing dominates, and service firms and informal enterprises receive little attention. Many studies use productivity, growth or managerial perceptions as proxies for survival rather than observing continuity or exit longitudinally. Interaction among product innovation, cost efficiency and adaptation is rarely tested, and methodological heterogeneity prevents simple comparison. This review addresses these limitations conceptually by integrating the three strategic domains, separating direct from indirect evidence and identifying conditions under which each strategy is more likely to support survival.

METHODOLOGY

Research Design

The study adopts a structured integrative literature-review design. This design is appropriate because the question spans empirical economics, strategic management, entrepreneurship, international business and resilience research. An integrative review permits the comparison of quantitative, qualitative, conceptual and review studies while retaining attention to context and mechanism. It does not imply a statistical meta-analysis, which would be inappropriate given differences in competition measures, sectors and survival outcomes.

Sources of Literature

The review corpus comprises the peer-reviewed articles reviewed for the study, published between 2019 and 2026. Bibliographic coverage is associated with major scholarly platforms and publishers represented in the corpus, including ScienceDirect, SpringerLink, Wiley Online Library, Emerald Insight and Taylor & Francis. Scopus, Web of Science and Google Scholar are appropriate databases for a reproducible extension of the search; however, no claim is made here that an independent database search or complete census of those databases was undertaken.

Search Strategy

A reproducible extension should combine terms for the competitive exposure, strategic response and outcome. Illustrative strings include "firm survival" AND "foreign competition"; "domestic firms" AND "multinational entry"; "import competition" AND "firm innovation"; "cost efficiency" AND "firm survival"; "business model innovation" AND "organizational resilience"; "vertical integration" AND "foreign competition"; and "product

differentiation" AND "import competition". Boolean OR can combine related terms such as survival, exit, continuity and resilience, while quotation marks preserve multiword constructs.

Inclusion and Exclusion Criteria

Eligible studies are peer-reviewed journal articles dated 2019–2026 with a meaningful relationship to competition, innovation, efficiency, adaptation, resilience, performance or survival. Direct studies of import competition and multinational entry receive priority. Crisis and general resilience studies are retained only where they illuminate transferable mechanisms of strategic adaptation. Duplicate, non-scholarly, unverifiable or substantively unrelated materials are excluded. Studies are not excluded solely because they report negative or insignificant results.

Screening and Selection Procedure

The screening logic proceeds from bibliographic identification to duplicate removal, title and abstract assessment, full-text eligibility and final thematic inclusion. Since record-level search and exclusion counts were not reviewed, no PRISMA flow totals are reported. Future replication should document the date, database, complete search string, filters, duplicate decisions and full-text exclusion reasons.

Data Extraction and Synthesis

The extraction framework records author and year, context, sector, design, form of competitive pressure, strategic response, outcome measure and principal implication. Thematic synthesis is used to compare mechanisms and contradictions. Direct competition studies are weighted more heavily when addressing the three research questions, while resilience studies support interpretation of capabilities, finance, digitalization and continuity. Causal language is limited to the strength of the original designs.

Quality and Reliability Procedures

Quality appraisal considers peer-review status, transparency of method, fit between design and inference, clarity of constructs, relevance to the question and consistency between evidence and conclusion. Bibliographic details and DOI links should be checked before submission. Reliability is strengthened by explicit coding categories and by distinguishing observed exit from indirect outcomes. The principal residual limitation is heterogeneity: strong identification in one industry or country does not guarantee transferability to another institutional setting.

REVIEW AND DISCUSSION

Product Innovation and Firm Survival

The weight of evidence indicates that product innovation can improve survival, but its effect is contingent rather than automatic. Differentiation and quality upgrading reduce direct price comparability and can preserve demand when imported products enter. Lam et al. (2022) make the product-quality mechanism explicit, while Wu et al. (2019) show that emerging-economy firms may use imitative innovation to respond more rapidly and with lower uncertainty. Technology search also matters because competition changes not only how much firms innovate but where they look for solutions (Morandi Stagni et al., 2021).

Contradictory findings are understandable once capability and competitive intensity are considered. Competition can raise the value of innovation while simultaneously lowering cash flow and expected appropriation. Autor et al. (2020), Liu et al. (2021) and Cheng and Son (2026) study different institutional settings and innovative outputs; their findings should not be collapsed into a single average proposition. Patent counts privilege codified invention, whereas product improvement, process adaptation and imitation may be more common among smaller firms. Severe exposure can also induce selection: surviving firms appear more productive or innovative partly because weaker firms have exited.

The practical implication is that firms should not imitate foreign offerings indiscriminately. They need to identify attributes for which local knowledge, speed, service or adaptation creates defensible value. Innovation portfolios should balance incremental improvements that protect current revenue with selective longer-term development. Collaboration with suppliers, customers, universities or technology partners can spread risk, but external knowledge must be absorbed and translated into commercial offerings. On balance, the literature does not sustain H_{01} as a universal claim of no effect. It supports a positive theoretical proposition under adequate capability, finance and market fit, while retaining the possibility of null or negative effects among highly constrained firms.

Cost-Efficiency Strategies and Firm Survival

Cost efficiency supports survival when it improves productivity and protects liquidity without hollowing out strategic capability. Import competition compresses margins and makes operational waste more consequential. Evidence on vertical integration, offshoring, worker reallocation and productivity shows that firms alter organizational boundaries and factor use in response (Friesenbichler et al., 2024, 2026; Gu et al., 2022, 2024; Stiebale & Vencappa, 2022). Digitalization can complement these adjustments by improving coordination, information and access to customers (Eller et al., 2020; Matarazzo et al., 2021).

No single configuration is always efficient. Vertical integration may secure critical inputs and quality but increases capital commitment. Outsourcing or offshoring can reduce cost but expose firms to logistics and supplier risks. Labor reallocation can move skills toward higher-value activity, yet poorly managed downsizing destroys tacit knowledge. The appropriate question is therefore whether a cost action lowers total delivered cost and strengthens future flexibility, not whether it cuts the current expense line.

Financial slack conditions the strategy. Evidence from crisis financing shows that cash reserves and alternative finance allow SMEs to preserve investments and choose deliberate adaptation rather than emergency contraction (Brown et al., 2020; Cowling et al., 2020; O'Toole et al., 2022). Although these studies do not test foreign competition directly, their mechanism is relevant: without liquidity, potentially productive reconfiguration may be abandoned before returns emerge. The accumulated evidence therefore weakens H_{02}. Cost-efficiency strategies are positively related to survival when they remove waste, raise productivity and conserve liquidity, but aggressive cuts that undermine quality, innovation or employee capability can reverse the effect.

Strategic Market Adaptation and Firm Survival

Strategic market adaptation appears particularly important where local firms cannot match foreign rivals on scale or standardized price. Servitization allows a producer to add installation, maintenance, customization or relationship value that is less exposed to imports (Gu et al., 2022). Clustered SMEs may reposition, specialize or cooperate when a multinational enters (Eiriz & Barbosa, 2022). Exclusive dealing can protect access to distribution under particular market structures, although its welfare and regulatory effects require care (Kitamura, 2023).

Business-model innovation widens the set of possible responses. Digital channels can reduce dependence on traditional intermediaries; alliances and coopetition can pool resources; diversification can spread demand risk; and internationalization can reduce reliance on a saturated home market. Asemokha et al. (2019), Matarazzo et al. (2021) and Huang and Ichikohji (2024) connect business-model change, capabilities and performance or resilience in different settings. Crisis evidence reinforces the value of timely reconfiguration, but it also warns that temporary improvisation should not be mistaken for a sustainable model (Clauss et al., 2022; Wenzel et al., 2021).

Adaptation carries costs and can dilute strategic coherence. Entering unfamiliar markets, adding services or forming alliances increases coordination demands. Iborra et al. (2020) show why ambidexterity must be accompanied by consistency, while Fainshmidt et al. (2019) emphasize strategic fit. The review therefore rejects the broad logic of H_{03} as a theoretical no-effect proposition. Strategic market adaptation generally

supports survival when it reduces unfavourable direct confrontation and matches organizational capability; poorly sequenced or opportunistic diversification may instead deepen fragility.

Integrated Discussion

The three strategies are best understood as a system. Product innovation creates reasons for customers to choose the firm, cost efficiency makes that value economically deliverable, and strategic adaptation aligns the offering and operating model with changing market conditions. Their complementarity explains why isolated interventions often disappoint. A technically superior product can fail if its cost structure makes it unaffordable. A lean operation can survive briefly but lose relevance if it offers an undifferentiated product. A new channel or business model can expand reach yet destroy cash if processes and capabilities cannot support it.

Dynamic Capabilities Theory provides the integrating logic. Sensing identifies whether the threat is price, quality, technology, access or changing customer expectations. Seizing allocates resources among product development, process improvement and market moves. Transforming realigns structures, skills, supply relationships and business models. The Resource-Based View explains why firms vary in their capacity to perform these tasks, and Competitive Forces Theory identifies the external configuration to which they must respond. Together, the theories avoid both environmental determinism and the assumption that managerial choice is unconstrained.

Moderating conditions determine which combination is viable. Smaller firms may innovate through focused niches or partnerships rather than formal research laboratories. Firms close to the productivity frontier may benefit more from advanced technology search, whereas lagging firms may require basic process upgrading first. Financial capacity affects the speed and duration of adjustment. Management quality influences sequencing, employee participation and learning. Industry characteristics determine the feasibility of servitization, vertical integration or exclusive arrangements. Institutional support, infrastructure and competition policy shape the cost and legitimacy of each response.

The review consequently offers a qualified answer to the research questions. Product innovation, cost efficiency and strategic market adaptation can each strengthen survival, but none is sufficient or uniformly beneficial. The strongest pattern is configurational: firms survive by selecting a coherent set of responses suited to their capabilities and the specific form of competitive pressure. This conclusion is consistent with strategic-fit arguments and with evidence that import effects differ by productivity, sector, ownership and technological distance (Fainshmidt et al., 2019; Friesenbichler et al., 2026; Silva, 2021; Torreggiani & Andreoni, 2023).

Table 2: Summary of Selected Empirical Evidence

Study	Context or design	Central focus	Contribution to this review
Autor et al. (2020)	United States; patent evidence	Foreign competition and domestic innovation	Shows that innovation responses to import exposure require firm- and technology-level interpretation.
Liu et al. (2021)	China; firm evidence	Import competition and innovation	Demonstrates that the innovation response is context-dependent.
Lam et al. (2022)	United States; quasi-natural experiment	Foreign competition and product quality	Links competitive pressure directly to quality strategy.
Stiebale and Vencappa (2022)	India; firm-level analysis	Import competition and vertical integration	Shows organizational-boundary adjustment as an efficiency response.

Study	Context or design	Central focus	Contribution to this review
Gu et al. (2022)	Denmark; firm analysis	Imports, offshoring and servitization	Connects foreign competition with both cost and market adaptation.
Gu et al. (2024)	Firm-level analysis	Worker reallocation and innovation	Shows interdependence between labor adjustment and innovative response.
Eiriz and Barbosa (2022)	SMEs in a cluster	Responses to multinational entry	Highlights heterogeneous local positioning strategies.
Kitamura (2023)	Industrial-economics model	Exclusive dealing and local survival	Explains a defensive market-access strategy and its conditions.
Torreggiani and Andreoni (2023)	South African manufacturing	Chinese imports and firm growth dynamics	Provides developing-economy evidence of heterogeneous outcomes.
Friesenbichler et al. (2024, 2026)	European firms	Imports, productivity and frontier distance	Identifies technological position as a key contingency.
Akpan et al. (2022)	Nigerian manufacturing firms	Dynamic capabilities and resilience	Extends capability-based reasoning to an African context.
Huang and Ichikohji (2024)	Chinese SMEs	Capabilities and business-model innovation	Clarifies business-model innovation as a resilience mechanism.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary of Results

The review identifies a broad but conditional association between product innovation and firm survival. Innovation protects firms by improving quality, differentiation and customer value, yet severe competition can reduce the resources and expected returns needed for research. The most credible conclusion is that innovation supports survival when it matches market needs and is backed by absorptive capacity, finance and timely execution.

Cost-efficiency strategies also support survival when they raise productivity, improve processes and preserve liquidity. Evidence on vertical integration, offshoring, digitalization and labor reallocation demonstrates several routes to efficiency, but no configuration is universally superior. Cost cutting becomes counterproductive when it damages quality, learning, maintenance or employee capability.

Strategic market adaptation enables firms to reposition rather than confront stronger rivals solely on price. Servitization, business-model innovation, digital channels, alliances, diversification and selective defensive arrangements can preserve access to customers and create defensible niches. Their effectiveness depends on strategic coherence and implementation capability. Overall, the literature provides stronger support for a complementary strategy bundle than for any single universal survival prescription.

Conclusion

Firm survival under domestic and foreign competition is neither an automatic reward for exposure nor an inevitable casualty of it. Competition creates pressure to improve while simultaneously reducing the slack required for improvement. Firms are more likely to survive when they can sense the specific source of disadvantage, invest selectively in product value, remove operational waste and reconfigure markets or business models before financial decline closes their options. Product innovation, cost efficiency and strategic

market adaptation are therefore mutually reinforcing capabilities. Their value depends on fit with firm resources, industry structure, institutional conditions and the intensity of competition. The present evidence does not justify declaring one strategy universally dominant. It instead supports a dynamic, configurational view in which durable survival rests on coherent combinations of differentiation, discipline and adaptation.

Recommendations and Policy Statement

The following recommendations and policy statements were made:

- Managers of domestic firms should diagnose competitive pressure at product, process and market levels before committing resources. Innovation projects should address demonstrable customer needs, while efficiency programs should protect the knowledge, maintenance and service capabilities on which future revenue depends.

- Small and medium-sized enterprises should use focused niches, supplier and customer collaboration, shared technology facilities and digital channels to overcome scale and finance constraints. Scenario planning and cash-flow monitoring should accompany strategic experimentation.

- Industry associations should develop shared market-intelligence systems, supplier-development initiatives, technical standards support and training platforms that reduce the cost of adaptation for smaller firms.

- Financial institutions should assess innovation and adaptation projects using sector knowledge and staged financing rather than relying exclusively on fixed collateral. Working-capital and patient-finance instruments are needed because strategic adjustment often precedes revenue recovery.

- Governments and regulatory agencies should improve infrastructure, skills, technology-extension services and transparent access to innovation finance. Support should build productivity and learning rather than preserve permanently uncompetitive structures.

Limitations and Directions for Future Research

Future studies should use longitudinal designs that observe actual exit, re-entry and continuity rather than relying solely on short-term performance or perceived resilience. African research should extend beyond a small number of formal manufacturing settings to service firms, platform-dependent businesses and informal enterprises. Comparative studies could test whether product innovation, efficiency and adaptation operate as complements, substitutes or sequential responses at different levels of import intensity. Greater attention is also needed to ownership, managerial cognition, employee outcomes and the distributional effects of defensive strategies. Mixed-method work would be particularly valuable for connecting credible estimates of competitive exposure with the organizational processes through which firms respond.

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