

EXPLORING THE IMPORTANCE OF STRATEGIC ORIENTATION IN FIRM' PERFORMANCE: EVIDENCE FROM PAKISTANI INDUSTRY

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ABSTRACT: Strategy formation was a complex phenomenon which needed in depth attention to get it implemented for the better performance of the organization. The major goal of this research paper was to probe the interaction of strategic orientation with strategy formation capability and its impact on firms' performance in textile sector of Pakistan. The sample of this research article was the managers of textile firms and 1310 questionnaires were distributed out of which 641 were returned in usable condition with the response rate of 48%. The study found that with strong strategic orientation and better strategy formation capabilities, organizations could get benefits in terms of strong strategic vision and growth. For getting desired results and implementation of strategic orientation this needs to be further explored in other dimensions.

Keywords: Strategic Orientation, Strategic Formation, Firm Performance

1.0 INTRODUCTION

For more than 30 years, strategy formation capability is an integral part of strategic management process. It is associated with the method efficient strategies are carved out in a firm [1]. In order to have competitive advantages which is the measure of success in the current perfectly competitive market, the organization has to come up with a strategy that is unique, innovative and unimitable [2]. Besides the strategy must enhance the efficiency and effectiveness of the organization as a unit [3]. The ability to make effective and efficient strategies is of great value, especially a strategy that doesn't allow the competitors to pursue or copy due to the complex structure and difficulty in application. Hence this capability is vibrant coupled with a good work environment grant competitive advantages to the organization both short term and long term.

There is however a very important factor that cannot be neglected when forming such strategies, that is, synchronization among the strategies and the strategic orientation of the firm. Contingency theory depicts about every strategic orientation type and states that there is a manner that fits a firm's traits which lead to enhanced performance of the firm. These patterns depict various interconnected and reinforcing traits of the organization that are imperative to the materialization of organizations strategic goals [4]. Strategic fit is the prime concept of strategy formation on the grounds of normative models; trivially this concept has been restricted to optimum performance. This discussion can be aptly concluded by describing the objective of this study, that is the illustration of a thorough model of strategy formulation along with the relation between capability and performance that goes along the organizational strategic orientation. The research question of this discussion is what is the relationship between strategy formation and performance?

According to Mintzberg, Ahlstrand, & Lampel the ability to formulate strategy is a constituent of: objective/task clarity, circumstantial analysis, compactness of alternative examination, process of strategy formation [5]. Superficial analysis of these factors reveal that, task comprises of organizational objectives, market diversity and trends, competitive differentiation. Similarly circumstantial analysis can be subdivided into organizational environment evaluation along with other organizational parameters. Compact

alternative evaluation is the result of thorough understanding of the available alternatives. Lastly the step involved is the very process of strategy formation. Below will be a detailed discussion on all the individual components that are essential for the formation of an ingenious strategy.

Expressing the objectives of an organization is the foremost task due in the strategy formulation process [6]. The concept behind this expression is to depict the flexibility allowed by the organization regarding its standards and conducts [7]. The objective usually specifies the target market, mainframe products and locale categorized markets, precisely the objective defines the jurisdiction of the strategy leaving the specifics to develop along the process. [7]. For instance with this parameter defined the strategy formation process is properly channelized which allows the organization to adapt to market fluctuation instantly and effectively leading to competitive advantages [3].

Problem Statement

This research is directed towards gauging the role of strategy orientation in strategy formation capability- performance relationship. In particular, to evaluate strategic orientation's moderating role in strategic formation capability and performance.

Research Objectives

- To know the importance of strategic orientation and performance.
- To gauge strategic orientation's moderating role in affecting relationship between strategic formation and performance.

Is strategic orientation a component that moderates the relation amid firm's strategic creation ability and superior performance?

Magnificence in activities is achieved through key indicators (strategic) which are the back bone of a firm; strategic orientation refers to such type of key indicators. Tactical mechanisms have come up as 2 consummate exhibitions of strategic orientation [8] [9]. Work of Miles and Snow depicts different paths with the help of by an organization, balances the product-market scope and creates respective aiding mechanisms to achieve superiority in a specific scope [8]. They mentioned four mechanisms which firms use to face such kind of problems.

Prospectors operate in a manner that is creative innovative and creative to its core and they aim at exploring and using up untapped product and market arenas and opportunities. On

the other hand defenders, in complete contrast to prospectors, chase stability, they target to maintain total control of the pre-captured customer base and market share. While analyzers are prone to having the merits of both foe mentioned strategic orientations i.e prospectors and defenders and seem to adsorb in themselves the right things from both, because they not only aim at tapping new product-market arenas in a cause to flourish, but alongside look to maintain the serene and tranquil product market arenas on which they tend to have suzerain control. In total strategic disagreement to all other strategic orientation types reactors tend to be altogether different because they have no proper response to the dynamic entrepreneurial problem. According to the studies in the past decades, reactors constitute a meager stake of the business firms, in my study (7.1%), so they are left aside in analysis as well as hypothesis development for simplification.

Porter postulated regarding the entrepreneurial problem that its analysis must be done in terms of value creation, by low cost or by differentiation and by the way a firm describes the competitive scope it has in the market, which may be either market-wide or it could be focused [9]. Walker and Ruekert carved out strategic mechanisms concerning entrepreneurial behavior patterns by contrasting in between the Differentiated Defenders and the Low Cost Defender [10]. The study peeps into the fact that how manipulation in formulation of strategies will affects the performance of the firm in relation the respective four strategic orientations.

Strategic orientation postulates the major facets about the strategy of a firm, where at primary level putting aside the phase of strategy implementation. The importance of this discussion is the core of deviance in performance in relation to the particular orientations of strategy and various typologies [11,12]. Consummate activities of the organization requires a prolifically shaped perfect fit in between organizational, physical and human capital, and firm's particular strategic orientation [8]. So, Miles and Snow are correctly of the opinion that organizations with various orientations of strategy require various mechanisms and brain child for formulating strategies. There is a concise elaboration of the various studies performed previously that looked into this issue.

Segev came to the conclusion that the novel, entrepreneurial, creative, and innovative ways of forming strategies were more dominant in and led the way in in the Prospectors where planning and entrepreneurial mechanisms were at the heart of Analyzer typology [11,13]. In between Defender typology and strategy formation mechanism, no relation was found. Evidence about the correlation between strategic orientation and the strategy formation mode affecting the perfection in performance of the firms was limited.

In hospital industry, variance in strategic orientations with regards to formality and conventionalism in planning, market research, innovativeness and planning creativity was assessed by Shortell and Zajac. According to the deductions of the study, prospectors and analyzers had higher scores on formality in planning and research than the defenders, whereas in concern for planning creativity the scores of all prospectors, analyzers and defenders were in the decreasing

order where the score of prospector typology was the highest. These were not gauged by them in terms of performance [14]. It was observed that prolific and consummate capability of creativity in planning and market research formed the core of prospector typology in comparison to defenders, whereas they deduced this fact too that enhancement in strategy formation capability above a certain level is having negative impact on the performance of the firm. No correlation existed between traits of strategy formation and a firm's performance in defender typology [14].

Specific hypotheses will be formulated in the following portion concerning the relation between different postulates of strategy formation and that of a firm's performance.

2.0 MATERIALS AND METHODS

This article intended to put forth an explanatory study. In this specific kind of study various hypotheses were examined and tested to gauge the relation between dependent, moderating and independent variables. This particular study aimed at being a study of cause and effects. It was aimed at gauging the effects of independent variable created on the said dependent variable. Moreover, the study tended to determine the regression analysis and correlation of the said variables.

Appropriate mind set in research thrives on the data availability to aid the specific contents. Specifically, this particular survey and design renders the precession of characteristics encompassed by a population exhibiting those capabilities required for the growth of the organisation. The writer is of the opinion that the collected data on different facets encompasses a chance to develop an understanding of the nature of the study. For the administration of an instrument to delegate the sample segment, a thorough survey was conducted.

Segev discovered that entrepreneurial mechanism of strategy formation was predominant in the prospector typology while the planning modes were an integral component of the analyzer type [13]. No strategy making mode was in sync with the defender type. However there was no marked relationship between strategy formation modes, strategy orientation and enhanced performance.

Shortell and Zajac after analyzing hospital industry concluded that the preferential order when it came to innovative strategy formation was prosecutors> analyzers> defenders [14]. Similarly after examining the industry of hospitals concluded, research potential of the prosecutors was by far greater than any other type, along with the magnitude of their personnel involvement and degree of novelty than defenders [14]. However if such planning processes were prolonged it had a negative impact on the performance. Bottom line the role of defenders was not justified and presented in any of the research works.

H1: There is a positive relationship amid orientation of strategy and performance

H2: Orientation of strategy moderates the relation amid formation of strategy & performance.

3.0 RESULTS

Demographic details

Area of concentration in this research work was

manufacturing businesses in the textile sector of Pakistan which is considered highly fragmented. In total, 1310 questionnaires were distributed in 131 firms (10 each in a firm) listed in KSE, which are operational in various cities of the country. Respondents returned 656 questionnaires. 56 % was the rate of response in the study. With respect to condition, 641 questionnaires were in workable and usable form which was returned by 92 textile firms. Hence the number of valid responses is 641 as any organization from which less than 3 questionnaires were handed back, were not a part of data analysis.

Table No 3.1 Age Descriptive Analyses

		Frequency	Percent	Cumulative Percent
Valid	20-25	52	8.3	8.3
	26-30	128	19.5	27.8
	31-35	270	41.5	69.3
	36-40	121	18.8	88.1
	41-45	52	8.7	96.8
	Above 45	9	3.2	100.0
Total		641	100.0	

The preceding table depicts the descriptive statistics of age. The age group 31-35 constitutes a major chunk of the respondent's i.e 42% of the whole sample. The next significant category of age among the respondents in 26-30, which makes up 20% of the total sample size. The age group of 36-40 covers 19% of the sample size. All other classified age categories constitute 35% of the sample size respectively.

Table No 3.2 Gender Descriptive Analyses

	Frequency	Percent	Cumulative Percent
Valid Male	499	77.6	77.6
Female	141	22.4	100.0
Total	641	100.0	

The fore mentioned table depicts the descriptive statistics in terms of gender in the study. 78% males dominated the sample size in this particular study while females accounted for a meager 22%.

Table No 3.3 Experience Descriptive Analyses

		Frequency	Percent	Cumulative Percent
Valid	0-5	192	30.3	30.3
	6-10	262	40.8	71.1
	11-15	102	16.2	87.4
	16-20	48	8.3	95.7
	Above 20	8	4.3	100.0
	Total		641	100.0

The fore mentioned table portrays the descriptive statistics about the experience of respondents in this study. 41% of the respondents accounted for an experience of 6-10 years approximately. While 30% respondents from the sample portrayed to have an experience range of 0-5 years.

Pearson's Correlation

By the particular assumption, significant correlation with the values of 0.01 and 0.05 was found; for performance, the correlation values are significantly correlated amongst one

another. For strategy formation capability, the correlation values were significantly correlated amongst one another. For strategic orientation, the correlation values were significantly correlated amongst one another.

Regression Analysis

The fore mentioned table depicts the model summary concerning the regression analysis. SPSS 20 version for the windows was utilized to conduct Regression analysis. Well, the model summary deductions depicted the value for R square to be .448, which portrayed that 44% change, would be caused in the dependent variable because of the independent variables.

3.4 Model Summary

Model	R	R Square	Adjusted Square	R Std.Error of the Estimate
1	.674 ^a	.454	.448	.37644

Table 3.5 Beta coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	1.806	.145		12.440	.000
SFC	.459	.027	.561	17.126	.000

a. Dependent Variable: Performance

Moderation

Table 3.6 Model Summary

Model	R	R Square	Adjusted Square	R Std.Error of the Estimate
1	.764 ^a	.584	.583	.81142

Table 3.7 Beta coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	2.303	.071		32.569	.000
Moderator	.073	.002	.764	29.950	.000

a. Dependent Variable: Performance

DISCUSSION

Strategic orientation was based upon the performance enhancing decisions of the organizations; two discrete approaches regarding this concept were provided by The Miles and Snow and Porter [8,9]. Researchers put forth 4 mechanisms of the way organizations assess & define market domain (entrepreneurship issue) and develop framework and methods (administration and technical issues) to emerge victorious in these jurisdictions. prospectors look forward to manipulate fresh market and product opportunities, defenders aim to stabilize the chunk of market by developing and maintaining a stable array of products and consumers. Analyzers are intermediary between these two, acting like and bond which allows the prosecutors and defenders to work in a synchronized fashion to manipulate new markets along

with the stabilization of existing markets, consumers and products. another type, namely reactor displays an inconsistent pattern of responses towards entrepreneurship issues. However, research work showed that the significance of reactor is less as compared to other types, hence this type is often neglected in further research and development.

Porter put forward entrepreneurship issues as accumulation of the value creation process of an organization (i.e.: discreetness or cost effectiveness) and its perception of market-coverage (i.e.: directed or general) [9]. He divided this entrepreneurship pattern into low cost defenders and discriminating defenders [9]. With respect to the current study, discrimination typology was employed to view the relationship amongst strategy formation capability and performance with reference to the four types of strategic orientation (i.e., Prospectors,

analyzers, Differentiated Defenders, & Low Cost Defenders). Orientation of strategy established boundaries of organization's strategy with sidelining specifics of implementation of the strategy to be completed sequentially through time. The significance of this aspect to the success of strategy was the reason of the fluctuation within the strategic orientation [11,15]. Prolific firm activities were the result of the quality of organization's orientation of strategy along with organizational, human & physical capabilities. As suggested before that organizations having wide array of strategic orientations were able to make more of the various approaches of strategy formation. Other studies addressing this issue would be the focal point of discussion.

Strategic formation was a multifaceted fact that required in detailed study to be put into practice for the better performance of a firm. The purpose of the research paper was to check the moderating effect of strategic orientation on performance. Hence, this research paper authenticated that with well-built strategic orientation, strategy formation, organizations can get benefits. But it didn't end here proper evaluation should be done for checking the successful implementation and for getting desired results.

Circumstantial analysis:

This analysis (SWOT or environmental processing) allowed the organizations to forecast internal and external environmental changes ahead of time. The importance of this analysis can be estimated from the fact that, being aware of the fluctuations in consumer trends, competitors, and technological, political and internal environment gave the firm a heads up of the upcoming strategic issues, thus allowing them to mold their strategies accordingly. Decision maker used to be equipped with the data gathered from primary and secondary sources, however in order to be a good decision maker and perform an apt circumstantial analysis, he/she ought to employ past experiences, gathered Intel and their own judgment.

Slater and Narver deduced, orientation of market (defined as systemic mechanism to gathering and disposal of information regarding consumer and competitors) influenced the strategic decisions and performance [15]. On the other hand Matsuno and Mentzer viewed circumstantial analysis as unimportant by portraying that it didn't have a significant impact on performance [16]. It was also expressed that exceptional

planners would always stay ahead of the organizations that were indulged in restricted circumstantial analysis [17]. However, according to some studies circumstantial analysis had a rather negative impact on performance [6].

Preciseness of alternative examination:

This component focused on the assessment of distinct strategic alternatives available to a situation at hand. Preciseness in alternate generation allowed the organization to latch on every possible opportunity, while preciseness of evaluation allowed them to come up with brilliant contingency plans that made the strategy as concrete as it could be. Nonetheless as everything, this preciseness had its price in terms of time and money both. If the organization would operate in a highly unstable environment than the price of such strategy formation would be too high to be economically viable, however the firms operating in a rather stable environment could benefit from this along with being economically viable [18].

Strategy formation process:

A logical question popping into mind at this stage would be, either strategy formation is a chronologically planned procedure or is the result of firm's task environment and the ratio of success to failure of previous strategies? the school of thought followed by planning school was that strategy formation was the result of a logical, analytical, deliberate process involving exact, tangible objectives which are put forward; a thorough examination was conducted by researchers, decision makers and executives to form a compact formal strategy [19]. On the contrary another approach followed by the learning school was non-existence of clear objectives, incremental adjustment to the varying environment by the organization, distributed power amid external and internal personnel's, inability of formulation of a compact strategy due to the entangled prudence of key players [20]. The clash between the two schools of thought and the decision to which one was the superior approach was on charts the most debated issue of strategy formation literature [21].

Hart and Banbury came up with five different modes which tended to be instrumental in defining the strategy forming ability [22]. One of which was the most decisive, namely efficacy in a larger number of modes, organizations following a complex strategy formation process comprising of various modes at a given time markedly stayed ahead of the firms following trivial strategy forming process on grounds of sales volume, sustainability and future standing along with excellence & maturity.

Slevin and Covin exhibited that formal strategic planning had a positive correlation with sales volume, especially for the firms operating in an unstable environment having mechanistic infrastructure [23]. The learning school of strategy formation was beneficial to the organizations having stable environmental parameters and organic infrastructure. Brews and Hunt were able to depict a positive relation among formal planning and performance of the firm; however the influence of environment was not kept in consideration [24].

Hence three decades of research and development in the field of strategy formation were unable to provide a conclusion, as the results were mixed, nevertheless there is a positive

relation suggested among the key concepts we discussed and performance. A rather intriguing finding of the research is the influence of strategic orientation on these aspects.

4.0 CONCLUSION

Strategic formation is a multifaceted fact that required in detailed study to put into practice for the better activities of the firm. Purpose of the research paper was to check the moderating effect of strategic orientation on performance. Hence, this research paper authenticates that with well-built strategic orientation, strategy formation, organizations can get benefits. But it doesn't end here proper evaluation should be done for checking the successful implementation and for getting desired results.

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