STRATEGIC ORIENTATION AND ORGANIZATION GROWTH: A REVIEW

Godfrey Mwenda

School of Business, Department of Business Administration, Kenyatta University, City Campus, Kenya

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ABSTRACT

Having a working strategy helps organizations to find solutions to their problems and challenges, by creating new capabilities and improve the existing ones as they endeavor to improve performance and growth. Strategic decisions are the decision and the choices that organizations make to have an outstanding performance. In the constantly changing business environment today the old traditional, hierarchical top bottom management approaches are not effective any more. This has resulted to firms employing and relying more on culture, simple rules and regulations and strategic direction that guide the actions and practices of the individual actors. These guiding actions and practices are the ones referred to as the strategic orientations. Strategic orientation in itself does not necessarily give an organization a competitive advantage in the market or an outstanding performance as a standalone, but the interrelationship of the different strategic orientations. This study will focus on the four key strategic orientations, Entrepreneurial, customer, market and technological orientations. The study will endeavor to establish the impact of this strategic orientations on the growth of the firm. The many studies that have been done have indicated the strategy orientation has a positive impact on the firms growth. However little studies have focused on all the four strategic orientation together in an organization and assess the impact on growth, which is the purpose of this study. In the empirical study will seek to answer the question, if the interrelationship of the strategic orientations have an impact on firm's growth? The findings of the study will help the top management team of the organization with the understanding of the impact of the strategic orientations on the firm. This study will enhance the decisions they will have to make on the interrelationship of the strategic orientation with the endeavor to grow the organization they lead.

Key Words: *strategic orientation, organization growth*

INTRODUCTION

Having a working strategy helps organizations to find solutions to their problems and challenges create new capabilities and improve the existing ones as they endeavor to improve performance. Strategic decisions are the decision or the choices that organizations make to have an outstanding performance. In the constantly changing business environment today the old traditional, hierarchical top bottom management approaches are not effective any more (Senge 1990; Stacey 2007). This has resulted to firms employing and relying more on culture, simple rules and regulations and strategic direction that guide the actions and practices of the individual actors (Eisenhardt & Sull 2001). These guiding actions and practices are the ones referred to as the strategic orientations. Entrepreneurial, technological, market and customer orientations are the most important orientations for an organization to achieve a long term success (Grinstein, 2008; Paladino, 2007; Hakala, 2010). Hao and Song (2016) argued that strategic orientation does not necessarily give an organization a competitive advantage in the market or an outstanding performance as a standalone, but all relationship of the different strategic orientations.

The concept of the different orientations such as market and customer orientation explains that organizations should respond to the environment that is constantly changing by proper positioning themselves in the market through a keen understanding of their customers and competitors (Day 1994; Narver & Slater 1990). Technology orientation organization performance is as a result of the organization coming up with unique resource combinations which lead to innovations hence better products and efficient process which give the organization a competitive edge. Entrepreneurial orientation approach it through adoption of certain kinds of behaviors that position the organization in the market, alongside with risk taking which allow the organization to change in the changing environment Miller (1982).

More recent studies have focused on the study of either market or entrepreneurial orientation relationship, or the study of intersection between market and technology (Wolff, Timothy, Pett, & Ring, 2015). However the intersection between the four orientation relationships has hardly been looked at, despite being a critical component of strategic growth in an organization (Wolf et al. 2015). Strategy and strategic orientation is a holistic endeavor for the firm growth and performance, and the focus on one area cannot adequately reflect the complexity of the process in which managers endeavor to affect and influence the activities of the firm (Fritz, 1996). Past studies have expressed a need to study the relationship between different strategic orientations (Grinstein, 2008), because organization that focus on only one orientation tent to perform poorer compared to organization that focus on all the strategic orientation which perform much better in the long run (Pearson 1993). Firms that balance between multiple orientations appear to perform better as per the meta-analytic study by Grinstein (2008).

Prior studies have looked at orientation variables as stand alones (Hakala, 2010). This study will seek to address this gap and add to the knowledge resource base of the effect of the interplay. This study will focus on addressing the gaps raised by previous literature that regard to the relationship of the technological, customer, market and entrepreneurial orientations. The orientation has rarely been looked at as a complimenting factor to each other leave alone being studied by previous scholars. In actual sense the orientations have been looked at as competing and affecting the organization negatively rather than positively (Noble et al. 2002). The outcome of the study will add to the knowledge of the interplay and synergic effect of the combination of orientation in strategy and the effect on the organizational growth.

THEORETICAL FRAMEWORK

Resource Based View

This theory was formulated by Barney's (1991). Resources are a major source of fundamental and drivers of competitive advantage and high performance of the organization (Rose, Abdullah, & Ismad, 2010). For organization to gain this advantage and exceptional performance they need to know the relationship between the internal organizational resources and the external resources (Barney, 1986, 1991, 2001a; Conner, 1991; Mills, Platts and Bourne, 2003; Peteraf and Bergen, 2003). Organizational resources are defined as base for getting and maintaining competitive advantage and hence superior performance of an

organization. Resources can be physical, financial, human and other intangible resources. The human resources (Adner and Helfat, 2003; Datta, Guthrie and Wright, 2005; Haslinda Abdullah, Raduan Che Rose and Naresh Kumar, 2007a, 2007b; Raduan Che Rose and Naresh Kumar, 2007) and the intangible resources are deemed to be the most important or valuable due to the fact that they are hard to imitate relative to the other resources, (Oliver, 1997; Makadok, 2001).

Resource based view has three main elements according to Fahy (2000), sustainable competitive advantage and excellent management, advantage generating resources and the strategic choices by the upper echelons. The essence of resource based view is to leverage on the internal sources and core competences to generate a sustainable competitive advantage, which translates to organization growth (Mahdi, Almsafir, & Yao, 2016). Resource Based View will focus management attention on the firms internal resources in the endeavor to gain identify those assets, capabilities and competences with the potential to deliver competitive advantage. The strategic orientation and choices that an organization takes should be informed by the resources that are within its reach and the combination of this resources to assist the organization to achieve the desired growth.

Upper Echelons Theory

This theory was coined by Hambrick and Mason (1984). He stated the top management team play a pivotal role in shaping major organizational outcomes (Carpenter & Geletkanycz, 2004). Hambrick and Mason (1984) stated the effectiveness of the organization is a reflections of the values and cognitive bases of powerful actors in the organization. Carpenter & Geletkanycz (2004) said that the personal characteristics of the top managers determine the performance of the organization which are determined by the decisions they make regarding strategic choices as a result of the environment which they are in and what they see. Hambrick and Mason (1984) came up with a model which explained the executives cognitions, values and perceptions influence strategic choices which results to the performance outcome of an organization. The executive cognitions, values, and perceptions are difficult to measure, therefore demographic characteristics are used to suggest those managerial characteristics are reasonable proxies for underlying unobservable characteristics which shape the interpretation of the internal and external situations and facilitates the formulation of the right strategic alternatives (Carpenter & Geletkanycz, 2004).

Research for instance has propose that corporations guided by young executives are more risk-oriented than their older counterparts; that corporations in which the homogeneity of executive profiles prevails take decisions more quickly (Abatecola & Cristofaro, 2018). (Hambrick & Mason, 2011). The top management are the decision makers of the organization and they make the choices. The relevance of this theory on this empirical study is all the strategic orientation decisions and focus are determined by the top management. The choice of the strategic orientation is dependent on a particular manager and the exposure and believe in its success (Oppong, 2014).

Dynamics Capabilities Theory

This theory was coined in the 1990 according to Ambrosini & Bowman (2009) argued that this theory is an advancement of the resource based theory, that stated that resources are rare, valuable, perfectly imitable and perfectly substitutable. Ambrosini and Bowman (2009) extended to this theory to explain that the environment is continuously changing where these resources exist, and for the firm to remain competitive in the industry it has to adapt to the changing environment. The resource based view has been criticized for its inability to explain how resources are developed and deployed to achieve competitive advantage and its failure to consider the impact of the dynamism of the market environment, hence the development that have been made developed the theory of dynamic capabilities theory which is addressing this limitations (Morgan, Vorhies, Mason, & College, 2019).

Dynamic capabilities theory explains that since the market places and business environment are dynamic, and constantly changing rather than heterogeneous in firm's resource endowment it is the capabilities by which firms resources are acquired and deployed in ways that will meet the firms market environment that explains inter-firm performance variance over time (Teece, Pisano, & Shuen, 2007). Capabilities become dynamic when they enable the firm to implement new strategies to reflect changing market conditions by combining and changing available resources in new and different ways (Morgan et al., 2019). The capabilities involve complex coordinated designs of skills and knowledge that, over time, become embedded as organizational routines (Grant, 2016) and are distinguished from other organizational processes by being performed well compared to the competitors (Teece et al., 2007). This study indicates that while resources being valuable, rare, inimitable, and non-substitutable are beneficial, and they also require balancing capabilities to be able to use available resources in ways that match the business conditions faced in order to drive firm performance (Teece et al., 2007).

Relationship of the Strategy Orientation and Firm Growth

Strategy is determining the objectives of the organization and the plans and actions necessary to achieve this objectives (Ali & Leifu, 2016). Strategic orientation is gaining tracking in performance based on the view of the firm, where a firm seeks to have a competitive advantage. Strategic orientation defined as the principles, processes, practices and decision making styles that influence a firms activities and generate the expected outcomes with the intention to ensure viability and performance (Hakala, 2010). It's also defined as the way a firm responds to the continuously changing environment and the external factors and its responsiveness in order to have an maintain a competitive advantage (Aloulou, 2019).

In our study we will focus on the four dimensions of strategic orientation the technology, market, customer and entrepreneurship. Despite strategy being a holistic study little studies have been carried out in the four dimensional areas (Hakala, 2010), which this study has chosen to undertake. Furthermore previous studies have indicated a need to study the relationships between different strategic orientation areas (Grinstein, 2008). Firms that focus on implementing one area of strategic orientation in the long run they don't perform well (Pearson, 1993).

Technology Orientated Firm Growth

A technologically orientated firm is one with a high technological backup and will use this technology to develop and invent new products (Ali & Leifu, 2016). This advancement in technology will help this firms to have improved services and advanced products intended to meet the customer needs, way above the peers in the same industry. This will give this firms a competitive advantage to the peers in terms of technology leadership and offering differentiated products hence high performance is the resultant effect (Montgomery & Lieberman, 1998).

For the firm to achieve this a lot of investment has to be made with the hope of getting a good return, which is one of the ways for a firm to achieve success with the new technologic solution Grinstein (2008). Therefore firms must allocate more resources for technological advancement and trials with new technologies, manage uncertainties through innovation and appetite for risk, otherwise they will be out of market and business due to obsolesce (Ali & Leifu, 2016). Firms have embraced this in Kenya through incremental technologies in firms, due to the country being an emerging economy and technology changing too rapidly. Other firms have embraced this through the cutting edge technology by forming joint ventures with foreign firms (CBK Report, 2018). All this is in the endeavor to remain competitive in the industry and achieve growth.

Market Oriented Firm Growth

Strategic orientations are the guiding principles that influence a firms marketing and strategy making activities. They represent the elements of the organization culture that guide interactions with the market place both with customers and competitors (Noble, Sinha, & Kumar, 2002). Market orientation is the degree to which the business unit obtains and uses information from customers, develops a strategy which will meet customer needs, and implements that strategy by being responsive to customers' needs and wants (Noble et al., 2002). There are many definition of market orientation one is the organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization wide responsiveness to it (Kohli & Jaworski, 1990). Slater & Narver (1995) defined market orientation to consist of three behavioral components, customer orientation, competitor orientation and inter-functional coordination and two decision criteria the long-term focus and profitability. The history of market orientation is longer than somebody could think. The reason is that market orientation is based on the marketing concept. The marketing concept is derived from the managerial concept, which was popular in the 50s of the last century. After that, many researchers aimed their attention to customer orientation and customer satisfaction as the main factor of market orientation (Tomaskova, 2007). Market orientation has a positive and significant relationship to customer satisfaction, financial performance, employee satisfaction and long term development (Tomaskova, 2007).

Intentions affect behavior, which are exhibited in business goals which also direct behavior (Noble et al., 2002). Business owners with the purpose to grow they will eventually achieve growth (Delmar and Wiklund, 2008). Majority of the small business intention according to

Gray (2002) is to survive and few are interested with growth. The one interested in growth are innovative employ more structured and strategic approach to the business. Market orientation is a big factor to generate growth and profitability for business (Wong and Merrilees, 2008). Therefore market orientation has been defined as the organization purpose to identify needs and wants of its target markets and then seek to satisfy those needs and wants better than the competitors (Slater and Narver, 1998).

Market orientation is a practice in an organization which comprise strategies to gather customer and competitor's information and sharing them in the firm and then create customer value from the information gathered (Kohli and Jaworski, 1990). Many empirical findings from studies done have shown unsupportive relationship between market orientation and performance. From these findings, more work is needed to understand the relationship between market orientation and performance (Noble et al., 2002).

Customer Oriented Firm Growth

The competitive nature in our current landscape has exerted a lot of pressure on business performance resulting to strategic management decision for them to remain afloat, customer orientation is one of such strategic choices (Neneh, 2018). Management decision has been fueled by the fact that organization are challenged on the customers and market they serve, as a result of increasingly global competitive environment, accelerated technological developments which have reduced the product lifecycles hence reduced superior performance by organization (Appiah-adu, 2006). Appiah-adu (2006) defined market focus as directing the efforts of the organization towards meeting the customer wants and needs. The concept of customer orientation captures the ability of the organization to understand its customer needs and create products that meet the need for its target clients, giving them value for money for their purchase (Narver and Slater, 2000).

This concept was introduced in the early 1970's, as a marketing concept Customer orientation formed the foundation for marketing concept and marketing orientation (Brockman, Jones, & Becherer, 2012). Value for the customer is the trade-off between the benefits the customer gets and the sacrifices they make for this relationship (Walter et al. 2000, Zeithaml, 1988). For the customer orientation to succeed the support of the senior management is a key part of it (Day 1994) and organization are bound to excel where there exist a closeness between the executives and the Customers (Brockman et al., 2012). Customer orientation focus on customer getting value and having an efficient and effective internal processes (Ali & Leifu, 2016). Those firms that are customer oriented have a continuous and proactive leaning in identifying customer and seeking to meet their needs (Ali & Leifu, 2016). The closer an organization interact with customers it leads to understanding their needs better, product development work on their products toward meeting this needs which leads to a more satisfied customer which results to increased demand end result is organization growth (Danneels, 2003). Researchers have it that the best outcome of customer orientation can only be obtained with other strategic orientations being an interplay with customer orientation (Neneh, 2018).

Entrepreneurial Oriented Growth

Entrepreneurial orientation refers to individual opportunistic activity that creates value and bears risk, and is strongly associated with innovation (Eggers et al. 2015). A firm is said to be entrepreneurial if its innovative, risk taking and proactive (Rezaei, Ortt, Rezaei, & Ortt, 2018). Entrepreneurship at a firm level comes from the entrepreneurial orientation towards identifying market opportunities that competitors have not yet recognized or that are under-exploited, and creating a unique set of resources to exploit them (Wolff et al. 2015). This concept was introduced in the early 1970's and is found to be closely reflecting the actual entrepreneurial firm behavior and is generally found to be positively related to firm performance (Rezaei et al., 2018). Innovativeness is a firm's tendency to engage in and believe in new ideas, experimentation, creative process resulting to new products and services and technological process. Risk taking is the level to which top managers are willing to commit large amount of resources to make risky resource commitment with a large cost of failure. Pro-activeness is seeking new opportunities which may or may not be related to the present line of operations, new product introductions and brands ahead of competition and strategically redefining strategies which are at obsolete or at the declining level of product life cycle (Rezaei et al., 2018). Entrepreneurial firms tend to be future oriented because of they engage in future of the organization (Gupta, Dutta, & Chen, 2014).

Entrepreneurship is one of the key drivers of the economy in terms of job growth and high source of revenue in market economies (Eggers, Kraus, Hughes, Laraway, & Snycerski, 2013). Entrepreneurship is associated with a firm's growth. This is the strategic orientation aspect that captures the entrepreneurial aspect of the firm's growth strategies (Eggers et al., 2013). Undertakes risky ventures, product market innovation, pro-activeness, autonomy and competitive aggressiveness, are the operationalization of entrepreneurial orientations (Hakala, 2010). Organizations that are entrepreneurial focused are able to take risk, and they commit their resources to explore new opportunities, which will lead to changing and shaping the environment where they operate in (Eggers et al., 2013).

CONCLUSIONS

This study, after comparing previous studies and work, has found out that strategic orientation and organization growth has largely been studied. However most of the studies done are in one of two of the strategic orientation focus. Organization that have engaged strategic orientation have showed a positive relationship to strategic orientation and growth despite them being independent studies. Some researchers have indicated in their studies that some orientation strategies can't thrive on their own they have to depend on others to get maximum benefit for the organization. Studies have shown out that orientation is futuristic in nature and organization will leverage the advantage of the orientation in the future, as a result new products are developed, organization will become more customer focused, new lines of business will be ventured into and new innovations and process improvement for service delivery will be achieved. All this factors combined will result to better organization growth due to increased customer satisfaction, increased sale, new business ventures and more profits for the enterprise. To conclude, this study strategic orientation could have a potential impact

for positive organization growth, but only from a theoretical point of view. To support this empirical study has made room for future research work.

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