

STRATEGIC ORIENTATION AND ORGANIZATIONAL PERFORMANCE: A STUDY OF THE AFRICAN TEXTILE INDUSTRY

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Abstract

This study examines the impact of strategic orientation on organizational performance in the African textile industry in Nigeria. However, there are cautions that being too customer focused can lead to lack of focus and anecdotal evidence suggests that it may be better to "ignore your customer" when developing new products. Building on the market orientation research stream, the authors examine the impact of three alternative strategic orientations—customer orientation, competitor orientation, and product orientation—on a variety of subjective and objective measures of performance in an organization, which is marked by high rates of innovation and largely unpredictable customer preferences. The results indicate that the association between strategic orientation and performance varies depending on the type of performance measure used. However, the most unambiguous result is that a customer orientation exhibits a negative association with sales.

KEYWORDS: Strategic orientation, Customer orientation, Competitor orientation, Product orientation, Organization performance.

1. INTRODUCTION

One of organization's most revered axioms is that to be successful, the organizational product must satisfy some need or desire in the marketplace. As a corollary to this axiom, organizations generally propose that the marketing concept and customer-orientated behaviors should guide marketing mix decisions. At the same time, some researchers caution that being too customer focused can lead to inertia (Christensen and Bower 1996; Hamel and Prahalad 1991; Leonard-Barton 1992), and anecdotal evidence suggests that it may be better to "ignore your customer" in the new product research and development process (Martin 1995; Moore 1995). This line of reasoning maintains that customers are often resistant to the idea of change, limited in their ability to provide creative input into the new product development process, and even unreliable in predicting which new product ideas ultimately will be embraced (Veryzer 1998).

A comprehensive body of research has looked at the topic of strategic orientation over the last four decades in which the premise has been associated with the coordination and cooperation of the strategy implementation. Empirical studies have however found a conflicting research (Kellermanns et al, 2005) on the topic strategic orientation and performance. However, (Bao et al., 2008; Homburg et al., 1999; Iaquinto and Fredrickson, 1997; Pagell and Krause, 2002; Rapert et al., 1996, 2002) found a supportive study to the subject matter.

In this study, we examine the premises: that a customer orientation provides a firm with a better understanding of its customers, which then leads to enhanced customer satisfaction and firm performance. We explore this relation within a multidimensional conceptualization of strategic orientation that we adapted from (Gatignon and Xuereb 1997) and that includes three distinct orientations:

(1) *Customer orientation*, an organization's commitment to integrate customer preferences into the product development and marketing process;

(2) *Competitor orientation*, an organization's commitment to integrate competitor intelligence into the product development and marketing

Process

(3) *Product orientation*, an organization's commitment to integrate innovation into the product development and marketing process.

Strategic orientation can be defined as a multidimensional construct that captures an organization's relative emphasis in understanding and managing the environmental forces acting on it (Gatignon and Xuereb's 1997). The multidimensional strategic orientation construct examined in this study extends strategic orientation research and responds to recent calls to test strategic orientation against other orientations (Grover 1996) and explicitly incorporate product innovation into models of market orientation and performance (Hurley and Hult 1998; Jawiarski and Kohli 1996; Narver, Slater, and Tietje 1998). It also provides an opportunity to examine empirically a position forwarded by Holbrook and Zirlin (1985), which maintains that though organizations tend to adopt a product orientation that targets a high-culture audience, some customer-oriented activity may be necessary to maintain fiscal viability. This position implicitly assumes that organizations can improve firm performance by being more customer oriented (Andreasen 1982). Our study enables us to test this assumption by examining the relative impact that customer, product, and competitor orientations have on firm performance in an organization.

Despite the economic and technological change in business organizations, as well as the healthy competitions among firms, some organizations still have the problem of adapting to these changes and also having the competitive advantage over others due to a number of reasons which are explained below: First and foremost is the problem of strategic planning and orientation. Most managers of organizations lack the strategic instinct to effect change and also to remain competitive and have a competitive advantage over other firms.

Furthermore, we have the problem of poor customer orientation. Most managers fail to realize that they need to orientate the customers on the product being produced so that such customer can have a better understanding about the product. More so, there is the problem of competitor orientation. Organizations in the same line of business lack the strategic orientation to have a healthy competition among them.

2. LITERATURE REVIEW

Extant literature contains several different definitions and operationalization of strategic orientation. (Narver and Slater's 1990) conceptualization of strategic orientation includes three components: customer orientation, competitor orientation, and inter functional coordination. (Kohli, Jaworski, and Kumar 1993) maintain that strategic orientation includes customer, competitor, and technology information generation; dissemination; and response implementation.

On the basis of a prospectively designed meta-analysis of three market orientation scales,(Deshpande and Farley 1996) propose a reduced market orientation scale that focuses solely on customer- related activities.

Rather than adopt the more narrow conceptualization proposed by Deshpande and Farley1996; Gatignon and Xuereb 1997) propose a multidimensional conceptualization that captures the richness of detail and nuance initially included in the conceptualizations of strategic orientation developed by Narver and Slater (1990) and Kohli, Jaworski, and Kumar (1993). Gatignon and Xuereb use the term "strategic orientation" to refer to three distinct orientations: customer, competitor, and technology (or product). Gatignon and Xuereb's (1997) conceptualize and define strategic orientation as a multidimensional construct that captures an organization's relative emphasis in understanding and managing the environmental forces acting on it. These forces include (1) upstream suppliers of product inputs, including intellectual capital and innovations; (2) downstream customers; and (3) current and potential competitors. This multidimensional, strategic orientation construct accommodates the firm's orientation toward the variety of external forces that likely affect its performance (Kohli and Jaworski 1990; Porter 1991; Slater and Narver 1995) and the tension between supply side and demand-side marketing that exists in dynamic, complex, or high-tech markets (Moore 1995; Shanklin and Ryans 1984). Consistent with Day and (Nedungadi 1994), we expect that managers and firms tend to place greater emphasis on certain elements of the environment to the exclusion of others. Thus, though the external orientations— product, customer, and competitor—examined in this study are components of a firm's strategic orientation they are also distinct behavioral dimensions that likely exert independent effects on firm performance.

A conceptual framework empirical research examined the link between firm performance and strategic orientation. This framework identifies four categories of variables that have been proposed by various researchers to have direct or moderating effects on firm performance, in conjunction with strategic orientation: (1) industry characteristics, including supply, demand, and competitive characteristics; (2) the strategic position that describes a firm's relative position within its industry; (3) product characteristics that describe a product's features relative to competitor products or, in the case of a new product, relative to the firm's current products; and (4) organizational characteristics that describe how a firm manages its inter functional activities.

The strength of the relationship between performance and each of the strategic orientation dimensions may vary depending on industry characteristics, customer characteristics, or the type of performance measure used, the literature generally supports the proposition that market-driven and innovative firms will outperform their competitors (Day 1994; Gatignon and Xuereb 1997; Jaworski and Kohli 1993; Narver and Slater 1990; Slater and Narver 1994; Tushman and Anderson 1986). Thus, we hypothesize that firm performance will have a positive association with each of the three strategic orientations.

(Porter 1991) maintains that the basic unit of analysis in a theory of strategy is a strategically distinct industry, which is defined by its suppliers, customers, and current and potential competitors and substitutes. Most of the studies examining the link between performance and market or strategic orientation have used samples made up of firms from disparate industries. In an attempt to control for or explicitly examine industry effects, researchers have included measures of

various industry characteristics in their analyses. This approach is consistent with strategy research that indicates that the relationship between distinctive competencies and performance varies.

Hence, the following hypotheses are proposed:

H₀₁: Strategic orientation has no significant effect on organizational performance.

H₀₂: Customer orientation has no significant effect on organizational performance.

H₀₃: Product orientation has no significant effect on organizational performance

H₀₄: Competitor orientation has no significant effect on organizational performance

3. METHODOLOGY

A cross sectional survey design was adopted to examine the relationships that exist between strategic orientation and organization performance in the African Textile Industry in Nigeria. It also examine whether or not a relationship exists between the variables of study (Kerlinger, 1973). Data was generated from employee working in African textile industry in Nigeria on a wide basis relating to strategic orientation and organization performance.

The population adopted for this study were employees working in the African Textile Industry in Nigeria, while the population sample was restricted to employees based in Lagos and Kaduna, since there exist more than average percentage of them are in Lagos State and Kaduna, thus making the state a good representation of manufacturing companies in Nigeria.

The field research assistants helped in administering the questionnaire to the respondents. Companies in this state established the sample frame which was considered as a representative of the population from which the sample was drawn. The questionnaire targeted employees which were approached and persuaded to fill the questionnaire. Employees that did not participate were uninterested or hesitant to release information to the researcher, while others premised their refusal on the management policy in the organization.

The technique used in the selection of participating manufacturing firm was a stratified random sampling technique in which a total of 72 copies of the questionnaire were distributed. 60 were completely filled and returned, thus representing a 83.3% response rate. The units of analysis were constituted by the participating manufacturing firms, while the adoption of primary data method was justified as it is the quickest and simplest of the tools to use, if publication is the aim.(Bain 1995).

The sampling frame was stratified according to company's size and industry type. While the sample size for the study includes 72 employees from the companies. Primary data were the data type used in this study. As data were directly collected from employees of the manufacturing company.

A five point likert scale questionnaire was the research instrument used in the research, which was sent to employees working in African Textile Industry in Nigeria. This research made use of correlation to test and make a decision about the effect of strategic orientation on organizational performance. A 5 point likert scale was also used to generate the questionnaire which ranges from strongly agree, agree, indifferent, disagree and strongly disagree.

4 EMPIRICAL RESULTS

4.1 VARIABLES AND MEASURES

4.1.1 STRATEGIC ORIENTATION

This study initiated four items using a five-point likert scale which ranged from strongly agree to strongly disagree to access questions on business relationships. The results of the respondents rating on the five items were looked into, added up and averaged to generate the mean of variable. Business relationships is considered high if the index is equal to or greater than 5.0 while it is considered low if less than 5.0. The Cronbach alpha of the items was calculated to be 0.72 suggesting that the items are reliable.

4.1.2 CUSTOMER ORIENTATION

A five-point point likert scale of 4 items was also generated for capabilities. The scales ranged from strongly agree to strongly disagree. The result of the items were added and averaged to determine the mean index. Capabilities is considered high if the index is equal to or greater than 5.0 while it is considered low if less than 5.0. The Cronbach alpha of the items was calculated to be 0.85 suggesting that the items are reliable.

4.1.3 PRODUCT ORIENTATION

A five-point point likert scale of 5 items was also adapted from (Kellermanns et al., 2005). The scales ranged from strongly agree to strongly disagree. The result of the items were added and averaged to determine the mean index. Capabilities is considered high if the index is equal to or greater than 5.0 while it is considered low if less than 5.0. The Cronbach alpha of the items was calculated to be 0.78 suggesting that the items are reliable.

4.1.4 COMPETITIVE ORIENTATION

A five-point point likert scale of 6 items was also adapted from(Desphande et al., 2005). The scales ranged from strongly agree to strongly disagree. The result of the items were added and averaged to determine the mean index. Capabilities is considered high if the index is equal to or greater than 5.0 while it is considered low if less than 5.0. The Cronbach alpha of the items was calculated to be 0.82 suggesting that the items are

Table 1:

Strategic variables correlated with Financial performance variable	Correlation co-efficient	Significance level
Strategic orientation	0.2784	0.0435
Customer orientation	0.2723	0.0486
Product orientation	0.2644	0.0558
Competitive orientation	0.2771	0.0445

Table 2

Relationship between strategic orientation and organizational performance

Dependent variable	<i>k</i>	<i>N</i>	<i>r</i>	<i>r_c</i>	95% CI	80% CV	Q
Performance	23	2089	.18	.22	.12, .32	-.06, .50	93.30

Notes; k = number of correlations; N = combined sample size; r = uncorrected weighted average correlation; r_c = corrected weighted average correlations; CI = confidence interval; CV = credibility interval; Q = test for homogeneity in the true correlation across studies

5. CONCLUSION AND IMPLICATION FOR MANAGEMENT

The results offer little support for H_1 , which predicted a positive association between strategic orientation and firm performance, but the results reported in Tables 1 and 2 suggest that strategic orientation might be associated with a stronger subscriber base. Although this association is weak, it is consistent with (Hirschman's 1983) position that the artistic integrity and expression that infuse the artistic mission require a self-centered product orientation, as well as with other empirical findings that indicate that subscribers embrace and share the organizational values and artistic mission embodied by an arts organization to a greater extent than single-ticket buyers do (Bhattacharya, Rao, and Glynn 1995; Voss and Voss 1997).

The results offer equivocal support for H_0 , which predicted a positive association between strategic orientation and performance. Table 1 indicates that, after controlling for product quality and seating capacity. It should be noted that the operationalization of the competitor orientation construct focused on competitors development and fundraising tactics and failed to capture whether theaters monitor a wider range of competitor actions, including which new products were produced. We may have obtained stronger (or weaker) results if competitor orientation had been operationalized to include a wider range of competitor actions. Perhaps the most unambiguous pattern of results reported in Tables 1 and 2 is the finding that customer orientation has a negative association with subjective and objective measures of customer performance. This finding seemingly contradicts the relationship marketing literature, which generally would recommend using a customer orientation to develop and maintain strong customer relationships.

However, it is imperative to know that most frequent buyers who, more than the occasional buyer, demand creative new products that are thought-provoking and provide experimentation, enrichment, and escapism (Kotler and Scheff 1997). These frequent consumers represent the innovators, early adopters, and opinion leaders who pride themselves on being aware of the newest product and rely on the product expertise of their producer to keep them current. The collective results suggest that these frequent consumers respond more favorably to a strategy that aims to lead and educate customers than to one that is customer led (Hamel and Prahalad 1991).

Our results suggest that a customer orientation has neither a positive nor an adverse effect on this broader marketplace. These consumers (Kotler and Scheff 1997) apparently respond favorably or at least adequately to less innovative and more "commercialized" creativity. It should be noted, however, that Tables 1 and 2 indicate that a customer orientation is associated negatively with an organization financial performance in both total income and net surplus/deficit. Collectively, these results imply that efforts to produce products in response to customers' requests are not rewarded in this industry in the form of increased attendance, increased revenues, or improved bottom lines.

Finally the result of the data analyzed that product orientation has a strong positive correlation with organizational performance while the other variables have a weak correlation with organizational performance. Conceptual and empirical research generally supports a positive link between a

customer orientation and firm performance, but a critical step in fully understanding a phenomenon is to establish its boundary conditions and recognize when alternative hypotheses become viable. My findings contribute to the understanding of alternative strategic orientations by identifying one set of industry conditions in which a customer orientation may not be desirable, that is, nonprofit goals, high rates of intangible and artistic innovation, customers who may not be able to articulate their preferences, and lead customers who rely on the product expertise of the firm to inform and challenge them.

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