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Strategic orientations and performance: A configurational perspective

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ABSTRACT

The present paper takes a configurational perspective and investigates the joint effect of entrepreneurial orientation (EO), market orientation (MO), and learning orientation (LO) on growth-based performance of high-technology firms. Applying fuzzy-set Qualitative Comparative Analysis combined with moderated regression analysis, results suggest that performance of high-technology firms depends on configurations, where firms with high levels of EO, MO, and LO outperform firms with other configurations. However, several other configurations of EO, MO, and LO improve performance as well, albeit to a smaller extent. The study offers a more detailed understanding not only which different configurations improve the growth-based performance of high-technology firms, but also which configurations are more successful.

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1. Introduction

Strategic orientations are “principles that direct and influence the activities of a firm and generate the behaviors intended to ensure its viability and performance” (Hakala, 2011, p. 199). Entrepreneurial orientation (EO) reflects a firm’s degree of risk-taking, proactiveness, and innovativeness (Covin & Slevin, 1989). Market orientation (MO) encompasses a firm’s 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 (Jaworski & Kohli, 1993). Learning orientation (LO) is firm’s ability to generate and use market information by displaying a strong commitment to learning, open-mindedness, and a shared vision (Sinkula, Baker, & Noordewier, 1997).

EO, MO and LO attracted considerable research attention (for a comprehensive overview see e.g., Hakala, 2011). The majority of studies focuses on a particular orientation and finds EO (Rauch, Wiklund, Lumpkin, & Frese, 2009), MO (Cano, Carrilat, & Jaramillo, 2004; Kirca, Jayachandran, & Bearden, 2005), and LO (Wang, 2008) to positively influence firm performance. This isolated perspective is problematic, as firms regularly employ multiple strategic orientations (Cadogan, 2012). However, the relationships between EO, MO, and LO attract comparably limited research attention to date (Grinstein, 2008; Hakala, 2011). The few existing studies that simultaneously consider

EO, MO, and LO 1) analyze parallel direct effects of these orientations on performance (e.g., Hult, Hurley, & Knight, 2004; Laukkanen, Nagy, Hirvonen, Reijonen, & Pasanen, 2013), 2) investigate sequential mediator relationships between orientations (e.g., Liu, Luo, & Shi, 2002, 2003), or 3) aggregate orientations as higher-order factors influencing performance (e.g., Gnizy, Baker, & Grinstein, 2014; Hult & Ketchen, 2001). Yet, no study views EO, MO, and LO as complementary pattern in the sense that strategic orientations are mutually supportive (Hakala, 2011). Hence, the question whether different combinations of strategic orientations—and if yes, which combinations—lead to superior performance remains unanswered.

The present paper takes a configurational perspective and investigates how EO, MO, and LO jointly influence the growth-based performance of high-technology firms. Organizational configurations are “any multidimensional constellation of conceptually distinct characteristics that commonly occur together” (Meyer, Tsui, & Hinings, 1993, p. 1175). The manuscript’s key premise is that a firm’s ability to align EO, MO, and LO to a unique configuration of firm capabilities enables the company to achieve competitive advantages enhancing its growth-based performance. The importance of fit among a firm’s strategic orientations has already been emphasized (Bhuian, Menguc, & Bell, 2005; Ruokonen & Saarenketo, 2009) and organizational configurations are well suited to explain performance (Harms, Kraus, & Reschke, 2007; Ketchen et al., 1997) beyond parallel or contingency approaches (Dess, Lumpkin, & Covin, 1997). Additionally, parallel or mediated direct approaches assume that a certain orientation linearly leads to higher performance in all circumstances (Harms et al., 2007). However, the ‘more is better’ inferences resulting from such approaches may not lend feasible strategy implications for resource-constrained firms (Cadogan, 2012).

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The study combines two different methodological approaches to validate the theoretical predictions. First, the study employs a set-theoretic approach as is consistent with recent calls in the pertinent literature on how to examine organizational configurations (Fiss, 2007; Woodside, 2013). Set-theoretic methods are particularly useful to analyze organizational configurations as they treat cases as combinations of attributes (i.e., as different configurations) allowing for an assessment how different causes affect relevant outcomes (Fiss, 2007). Hence, set-theoretic approaches are “more closely aligned with the theoretical thrust of configurational theory, which stresses the existence of effects that are not simply linear, additive, and unifinal” (Fiss, 2007, p. 1194). To this end, the study uses fuzzy-set Qualitative Comparative Analysis (fsQCA) (Ragin, 2000, 2006) to obtain a thorough understanding of the different configurations of EO, MO, and LO enabling high-technology firms to achieve superior growth-based performance. Second, the study supplements the fsQCA by multiple regression analyses. That is, we empirically test and graphically display the joint effect-empirically a three-way-interaction (Dess et al., 1997)-of EO, MO, and LO to explain the growth-based performance of high-technology firms.

The study offers three contributions. First, it adds to the strategic orientations literature by reflecting on the internal boundary factors of strategic orientations and their influence on growth-based performance of high-technology firms. Taking a configurational perspective facilitates theoretical advancement as well as practical implications through a better understanding of which strategic orientations high-technology firms should pursue in order to achieve competitive advantages leading to superior growth-based performance. Here, a configurational perspective offers additional insights compared to universal or contingency approaches (Fiss, 2007; Wiklund & Shepherd, 2005).

Second, the study contributes to a more comprehensive understanding of organizational configurations by using a mixed methods approach combining qualitative and quantitative elements as urged by prior researches (Fiss, 2007; Woodside, 2013). Employing fsQCA as well as moderated regression analysis allows not only identifying distinct configurations of EO, MO, and LO leading to higher growth-based performance of high-technology firms but also quantifying which specific configurations are most influential.

Third, the study tests its theoretical predictions on a sample of high-technology firms. Understanding how different configurations of strategic orientations affect normative outcomes is of paramount importance in this context. Being characterized as prospectors (Miles & Snow, 1978), the vital competitive advantage of high-technology firms rests upon firms' ability to develop new and innovative products and to exploit these products on competitive and highly dynamic markets (Engelen, Neumann, & Schwens, 2014) and in narrowly defined niches (Qian & Li, 2003). Hence, strategic orientations reflect the core abilities leading to superior and sustainable company success of high-technology firms (Lau & Bruton, 2011).

2. Background literature

2.1. Strategic orientations

The majority of prior literature focuses on a particular strategic orientation and its effect on firm performance (Gnizy et al., 2014). Research analyzing more than one strategic orientation is comparatively limited (Hakala, 2011). The present study focuses on EO, MO, and LO as their complementary potential enables firms to achieve sustainable competitive advantages (Hult et al., 2004; Ruokonen & Saarenketo, 2009). MO integrates the adaptive processes related to the competitive environment, whereas EO and LO entail processes of matching firms' resources with the external environment. EO reallocates firms' resources through product and market development, while LO facilitates the creation and utilization of knowledge leading to changes in organizational behavior (Grinstein, 2008; Hakala, 2011). Firms need

to focus on current (MO) as well as potential (LO) customers and competitors in order to successfully identify and pursue new opportunities (EO) (Rhee, Park, & Lee, 2010).

Table 1 gives an overview on existing research on the interrelationships between EO, MO, and LO. The first group of studies investigates parallel direct effects of EO, MO, and LO on firm performance. For example, Hult et al. (2004) examine parallel direct effects of EO, MO, and LO, on aggregated firm performance in a joint model and find significant positive influences for EO and MO. Likewise, Laukkanen et al. (2013) examine the effects of EO, MO, and LO on business growth across several countries and find significant positive effects for EO and MO. While several studies in this category emphasize the importance to rely on multiple strategic orientations (e.g., Kropp, Lindsay, & Shoham, 2006), it remains unclear how the orientations interact.

The second group of researches analyze mediating relationships between EO, MO, and LO. Here, a particular orientation mediates the effect of other orientations on firm performance. Several studies suggest that particularly LO acts as a mediator for EO and/or MO on different performance dimensions (e.g., Liu et al., 2002; Mu & Di Benedetto, 2011) and innovativeness (an immediate antecedent of performance) respectively (Rhee et al., 2010; Zhou, Yim, & Tse, 2005). In contrast, Rodríguez Gutiérrez, Fuentes Fuentes, and Rodríguez Ariza (2014) suggest that EO mediates the influence of MO as well as LO on growth-based performance.

A third group of researches aggregates EO, MO, and LO as higher-order factors influencing firm performance. For example, Hult and Ketchen (2001) posit that EO, MO, and LO together with innovativeness form the higher-order factor “positional advantage”, which, in turn, positively influences several performance indicators. Additionally, Gnizy et al. (2014) advance that EO, MO, and LO build a higher-order dynamic capability labeled “proactive learning culture”. This dynamic capability positively contributes to successful foreign market launches of SMEs.

In sum, prior literature accomplished considerable contributions regarding the effects of EO, MO, and LO on firm performance. The findings support the notion that firms pursue different strategic orientations simultaneously in order to be successful (Cadogan, 2012). However, a comprehensive configurational approach analyzing the effect of different configurations of EO, MO, and LO on firm performance is yet missing.

2.2. High-technology firms

The present research focuses on high-technology firms. Following Miles and Snow's (1978) strategy typology, high-technology firms typically embody “prospectors” which proactively find and exploit arising opportunities, observe future trends and adapt to turbulent environments by scanning environmental conditions (Daft & Weick, 1984). Thus, high-technology firms are growth-seekers pursuing business opportunities in a proactive manner.

EO, MO, and LO and their configurations are particularly pertinent in the specific research context of high-technology firms. High-technology firms have to cope with high uncertainties, undertake enormous investments in research and development, and experience shorter product life cycles as well as a fierce competition for new product share (Shan, 1990). Accordingly, high-technology firms can hardly compete in terms of production, promotion, and price. In fact, they achieve their competitive advantage through innovativeness and by operating in market niches (Qian & Li, 2003). Furthermore, high-technology firms operate not only in highly competitive but also in dynamic markets (Engelen et al., 2014). Consequently, the exploitation of new opportunities and the development of new ideas are crucial for competitive advantages and firm growth.

The dynamic and rapidly changing markets that high-technology firms operate in enable these firms to grow (Eisenhardt & Schoonhoven,

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