Strategic orientations: developing an integrative model of pioneering, entrepreneurial, and stakeholder orientations

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Abstract

Strategic orientations have attracted scholars’ attention across disciplines and the pros and cons of such orientations have been studied extensively. However, previous literature largely ignored possible interrelationships between these orientations. In sum, most studies have not examined potential synergetic effects of multiple orientations. Against this background, we develop an integrative model, which proposes relationships between antecedents and performance consequences of pioneering, entrepreneurial, and stakeholder orientations.

Keywords: Pioneering orientation, entrepreneurial orientation, customer orientation, competitor orientation;

1. Introduction

The proposed model examines the relationships between antecedents of several strategic orientations and their performance consequences. It includes two dimensions of strategic orientations – the philosophies underlying how firms are managed. The first dimension is internal; it includes pioneering and entrepreneurial orientations. The second dimension is the external, this dimension relates to organizations’ stakeholders and it includes customers and competitors’ orientations. This proposed study aim to advance the literature on orientations by adding three contributions. First, it will explore the extent to which different orientations relate to performance. Second, it will assess the extent to which combinations of orientations are positively (or negatively) synergetic. Third, previous orientations’ literature shows that environment affect firms’ performance. For example, turbulent market conditions present companies with information gaps that can be exploited by pioneering activities (Schatzel, Kiyak and Iles 2005). Following this logic, we included several environmental characteristics, which has the potential to moderate the relationships between orientations and performance.

2. Research model

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3. Orientations’ antecedents

As managers have more control over internal organizational factors than over external ones our model will focus on internal antecedents of strategic orientations. Based on the seminal paper of Jaworski and Kohli (1993), we included three sets of internal factors: management, department and the organization. As specified below, each set
contains a number of factors. The first set of factors refers to the organization’s management and it includes two factors: emphasis and risk-taking. The second set deals with the dynamics between different organizations’ departments and it includes two factors: conflicts and connectedness. Finally, the third set includes organizational structure and systems based on three components: formalization, centralization and reward systems, which are related to the way an organization rewards its members.

4. Internal orientations

4.1 Pioneering orientation

Pioneering behaviour can be described as a company’s propensity to introduce novel products to the market at the earliest phase. Typically, pioneering market behaviour is perceived as the embodiment of entrepreneurial behaviour - when a particular company creates a new market, or is the first to enter a new market, which others have not yet recognized or formalized (Covin, Slevin and Heeley 1999). A company that encounters a dynamic and competitive environment must seek new ways to gain advantage over its competitors. One option is to develop new products and distribute them in an innovative manner. The pioneering company will have the opportunity to impact the technology that they developed. In effect, the competitors save the time and effort invested by the pioneering company when developing this novel product. One might say that these competitors are "hitching a free ride" from the pioneering company. However, the main disadvantage for the pioneer is that, since they are the first to introduce a novel product/service into the market, they have no prior data on which to rely (Mueller, Titus Jr., Covin and Slevin 2012). The connection between the management of the pioneering company and its employees can also have an effect on how the company functions, and the performance it achieves. The emphasis that the senior management of the company gives to the market orientation can also predict the success to be achieved from pioneering orientation (Dwairi, Bhuian and Jurkus 2007).

4.2 Entrepreneurial orientation

Entrepreneurial orientation refers to the procedures, practices and decision-making activities that result in the establishment of an entrepreneurial company (Lumpkin and Dess 1996). Many researchers have addressed the question of whether entrepreneurial orientation plays a significant role in the growth of the firm. Some agree that entrepreneurs have become a substantial factor in the exploration of business opportunities in both the global and domestic sectors. The majority of scholars which investigate entrepreneurship, focus primarily, on the involvement of the entrepreneur in new business ventures. However, entrepreneurs are involved in all stages of their firm’s growth.

Some researchers defined the entrepreneur's contribution to firm’ growth by two aspects: firstly, the entrepreneur's ability to contribute to the growth of the company (i.e. entrepreneurial capability); secondly, is the entrepreneur's willingness to lead the company to toward growth (i.e. entrepreneurial willingness) (Lau, Dimitrova, Shaffer, Davidkov and Yordanova 2012). Other researchers have examined the effect that three aspects of entrepreneurial orientation have on the decision of whether or not to enter a new venture: pro-activeness, innovativeness, and risk-taking (Kropp, Lindsay and Shoham 2008).

There is tendency to presume that only large companies deal in international commerce since they have considerable resources available to them. However, this is not the case in reality. Due to the evolvement of technologies in the fields of communication and information resources, many small and medium-sized businesses are active in international markets. The world has become a ‘global village’ with communication available for all. The performance of international business ventures operating in dynamic and/or hostile environments is better, initially, if the level of communication is relatively low. However, this situation changes as the venture grows and develops (Kropp, Lindsay and Shoham 2006).

5. External orientations
5.1 Customer orientation

Every manager has a set of biases, assumptions and beliefs about how the market works, what customers want, and how they process information and make choices (Day 2011). This orientation deals primarily with customers’ interests and how companies analyse and respond to customers’ needs. Business units operating in turbulent markets deal with rapid changes in customer’s requirements and preferences, as well as unforeseen demands. These companies need stronger customer orientation in order satisfy their customer’s needs (Jaworski and Kohli 1993).

Companies need to create and supply a product with added value for the customer, and find new ways of reaching these customers. These marketing abilities are an important mechanism allowing implementation of strategic orientations which leads to superior performance (Theodosiou, Kehagias and Katsikea 2012).

One strategic imperative for the organization is to be a customer value leader with a distinct and compelling customer value proposition (Day 2011). The management team must be continually aware of customer preference by asking: how customers change? What do they need? A company must be able to predict, understand and possibly even control customers’ needs and tastes. Thus, a customer-oriented company will invest a large share of its resources in achieving these goals (Luk et al. 2005).

5.2 Competitor orientation

Competitors are the most meaningful stakeholders that the company must be vigilant of. Persistent competition between the company and its competitors forces the company to act cautiously, so that its customers will not be attracted to the competitors. The company must present its products to the customer optimally, demonstrating how it differs from the competitors, and examining what lures the customer to purchase its products and not those of the competitors. However, there is no implication here that the company may behave recklessly when conducting its investigation. The company must at all times behave honourably and respectfully towards its competitors, even though it might be in fierce competition against them.

The easier it is to enter the market, the more competitive pressure from present and potential competitors will increase (Narver and Slater 1990). The company’s dependency on customer’s tastes compels them to also consider any actions or reactions that the competitors may resort to. A company must be attentive to its competitors, and alert to their strengths and weaknesses, so that it can neutralize their business strategies (Lumpkin and Dess 1996). The company must develop a persistent system that constantly improves and upgrades the quality of its products. Eventually, the development of a competitive advantage shall lead the company to preserve its customers and increase its sales.

6. Consequences

The consequences of our research model derive from the implementation of four orientations and reflected by the company’s Performances. The company’s Performances are the most important to the continuity of the company. A firm cannot exist if it not attained positive achievements of those Performances. Company’s Performances are expressed in two levels. The first level is behavioural outcomes arising from a company’s management and its employees behaviour (e.g. Team spirit and Commitment). The second level include three dimensions and reflects the company’s Performances outcomes (e.g. financial, strategic performances and satisfaction).

6.1 Behavioural outcomes

The behavioural outcomes includes a number of psychological and social benefits to employee, a market orientation is argued to lead to sense of pride in belonging to an organization in which all departments and individuals work toward the common goal of satisfying customers (Jaworski and Kohli 1993). Two major factors are reflects this behavioural outcomes; The first factor is Team spirit and describes the cooperation between the employees, the concerning about the needs and problems of each other. The second factor is commitment that expresses the employees feel as though their future is intimately linked to that of this organization. Also this factor reflects the bond between the employees to their organization.

6.2 Performances

Performances of any venture can be defined by three dimensions; financial, strategic and satisfaction (Zou, Taylor and Osland 1998). The financial dimension focus on bottom line of the company’s activities such volume of sales, profits and rapid growth. The main thrust of strategic performance dimension is that firms often have a set of strategic goals such improved competitiveness, increased market share and strengthened its strategic position. The satisfaction dimension described the extent to which the performances of the organization has been very satisfactory, very successfully and fully met its expectations.

References


