

# LEARNING STRATEGIC ORIENTATION FOR ENHANCING BUSINESS PERFORMANCE

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**Abstract** *In the present globalised business climate, it is imperative for firms to interact with their environment and adopt the culture which stimulates behavioural change and performance improvements. In this context, strategic orientation has been accepted across the world as an excellent methodology for continuous improvement in every part of the organisation. The study emphasises the significance of different strategic orientations of firms by exploring seven important business philosophies (orientations), viz., production, selling, customer, market, learning, entrepreneurial, and relationship marketing orientation. It also throws light on the role of each strategic orientation in achieving competitive advantage and better firm's performance. The study suggests that practicing single strategic orientation by firms is not appropriate for divergent market contexts. Further, firms adopting plural orientation are more likely to perform even better than firms adopting only single strategic orientation. Therefore, firms should shift their focus from one strategic orientation to the combination of strategic orientation that firms can pursue in different situations as their success and survival depend on the integration of different strategic orientations.*

**Keywords:** *Strategic Orientation, Production Orientation, Selling Orientation, Customer Orientation, Market Orientation, Learning Orientation*

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## INTRODUCTION

In an era of global diversity and intense competition, firms are facing huge unpredictable challenges. As firms become more competitive, customers tend to become more and more demanding. In today's highly competitive world, it is becoming increasingly difficult for firms to effectively cater to the needs and wants of customers which may risk losing dissatisfied customers to the competition. The pace of change in the world of business is intensified, which means that running a business successfully has become an increasingly complex task, and it is within this background that different strategic orientations have taken a pride of place. In order to manage environmental challenges and to maintain business performance, firms are placing relative emphasis on strategic orientation during the last three decades. Organisations that have associated their strategy with the demands of the competitive environment have performed well than organisations that have not (Schoeffler *et al.*, 1974; Miles and Snow, 1978). It is also clear today that there is no single strategic orientation for achieving enhanced firm's performance. For this formulating right marketing strategy is necessary. Extant research advocates that a single orientation alone is inadequate (Baker and

Sinkula, 1999; Bhuian *et al.*, 2005) and balancing several orientations make highly developed company cultures, which enable firms to perform better (Grinstein, 2008). A firm's strategic orientation reflects the strategic directions implemented by a firm to create proper behaviours for the continuous superior performance of the business (Narver and Slater, 1990). It is regarded as the competitive actions or the overall orientation that an organisation reveals in the market place (Miles and Snow, 1978; Peng *et al.*, 2004; Zheng *et al.*, 2010). The present study attempts to explore the strategic orientation of firms, which are encountering cut-throat competition from firms worldwide. The study highlights the significance of different strategic orientations in enhancing firms' performance. The main aim of the study is to provide an in-depth understanding of different strategic orientations of firms, namely, production orientation, selling orientation, customer orientation, market orientation, learning orientation, entrepreneurial orientation, and relationship marketing orientation.

## REVIEW OF LITERATURE

In the fast-paced ever changing market place, firms have been placing relative emphasis on strategic orientation, as

it influences and directs the conduct of routine business operations and provides a foundation for long-term success. A number of strategic orientations that contribute to firm's performance and help in achieving competitive advantage include production orientation, selling orientation, customer orientation, market orientation, learning orientation, entrepreneurial orientation, and relationship marketing orientation.

### Production Orientation

Production orientation implies a focus on production efficiency (Assael, 1993). Firms that adopt production orientation emphasise on producing and marketing products without adapting to customers' needs (Vyas, 2003). It entails that firms should focus on production efficiency and wide distribution for their target markets (Kotler, 1997). Since customers desire the maximum quality for their money, the organisation should try to enhance quality levels (Kotler, 2000). Further, Deng and Dart (1994) asserted that the key to business success is producing goods and services at reasonable cost. Therefore, firms implementing production orientation should emphasise on intensive and ongoing new product development because success probably depends on product-oriented creativity to develop high-quality new products, which successively renew and rejuvenate customer markets.

### Selling Orientation

A sales-oriented firm emphasises on selling the product. Sales-oriented businesses pay little attention to customer needs and wants, and do not try particularly hard to create suitable product or services. This orientation defends that consumers need a stimulating force to overcome their natural hesitancy to buy some types of product or service (Kotler, 2000). Avlonitis and Gounaris (1999) asserted that selling-oriented companies try to build relationships with their customers and maintain regular contacts not as a means of increasing their understanding of customer needs but rather as a way to increase the effectiveness of their sales efforts. However, Deng and Dart (1994) opined that the key to business success lies in persuading potential customers to buy firm's goods and services through advertising, personal selling, or other means. They further concluded that potential customers must be informed and convinced of the benefits of the products. Moreover, concerning the effect of sales orientation on the firm's effectiveness, it has been found that a sales orientation is positively related to performance (Noble *et al.*, 2002; Mottner and Ford, 2004). Thus, firms focusing on sales promotions and other revenue-maximizing activities exhibit higher levels of financial performance.

### Customer Orientation

While discussing these orientations, considerable research has shown that organisations are more successful when they embrace customer orientation (Bendapuri and Berry, 1997; Day, 1990). The marketing literature has focused extensive attention on customer orientation (Gatignon and Xuereb, 1997; Narver and Slater, 1990), which is one of the components of strategic orientation. The concept of customer orientation is basically derived from marketing concept. Several researches considered customer orientation to be the essential element of marketing concept and market orientation ((Deshpande and Farley, 1996; McNamara, 1972; Narver and Slater, 1990). Further, a business which implements a customer orientation would improve its market performance (Narver and Slater, 1990; Kohli and Jaworski, 1990). Deshpande *et al.* (1993, p.27) defined corporate customer orientation as "the set of beliefs that put the customer interest first, while not excluding those of all other stakeholders such as owners, managers and employees in order to develop a long-term profitable enterprise". Customer orientation is positively associated with performance (Deshpande *et al.*, 1993). A customer orientation enables the firm to create superior value for its customers because their needs are better understood (Narver and Slater, 1990). Moreover, Drucker (1954) asserts that there is only one valid definition of business purpose, i.e., to create a customer. It is the 'customer' who determines what the business is. Customer-oriented firms are mindful of who the customers are and how they should be served as they find out the needs of their customers and promptly share the new information with other departments within the firm to keep pace with customer needs, and foresee future needs. Therefore, customer-oriented philosophy provides the firm with winning strategy.

### Market Orientation

Another construct that has gained significant attention in recent years is market orientation (Kohli and Jaworski, 1990; Narver and Slater, 1990). Market orientation is positioned as marketing's contribution to business strategy (Hunt and Lambe, 2000) and is considered as an important strategic orientation (e.g., Gatignon and Xuereb, 1997). According to Kohli and Jaworski (1990), market orientation is the set of activities or behaviours relating to the market intelligence generation, market intelligence dissemination and responsiveness to satisfy their needs and requirements. Several studies examined the association between market orientation and its various correlates. For instance, it has been found that market orientation is related to business performance, employee's organisational commitment and esprit de corps (Jaworski and Kohli, 1993). Moreover, a

number of studies have reported a positive relationship between measures of market orientation and business performance (Deshpande *et al.*, 1993; Narver and Slater, 1990; Slater and Narver, 1994). Market orientation is an organisational culture devoted to delivering superior customer value (Narver and Slater, 1990). A market-driven organisation combines an externally-oriented culture, a capability for idiosyncratic market sensing and anticipatory strategic thinking that enables the organisation to anticipate and respond to changing market conditions (Day, 1999). It supports supple strategies that are sensitive to rapidly changing environment, in contrast with the rigidity of long-range planning. Thus, organisations having the highest degree of market orientation are linked with the highest profitability.

### Learning Orientation

Learning orientation is considered as an important concept in the field of strategic marketing and a key to future organisational success. A learning organisation is one “proficient in generating, acquiring and transferring knowledge and at modifying its behaviour to reflect new knowledge and insights” (Garvin, 1993, p. 80). Organisational learning is the growth of new knowledge or insights that can prospectively influence behaviour (Slater and Narver, 1995; Hult *et al.*, 1999). Behaviour change is caused by learning, which eventually helps in firm’s performance. The ability of a firm to study from its experiences is a vital determinant of its performance (Nevis *et al.*, 1995; Slater and Narver, 1995). In this context, learning aids the firm to target and enter new markets, and increase performance (McCann, 1991; Zahra *et al.*, 2000). Enhanced performance entails an understanding and satisfying of expressed and latent needs of customers (Narver and Slater, 1990). Organisational learning is the attainment of new ideas and applying them in the daily functioning, which leads to better organisational performance. It facilitates individual learning where individuals are motivated to primarily focus on sharing across various organisational units, which eventually help yielding various benefits (Breman and Dalgic, 1998). It broadens the firm’s knowledge base and competency. Thus, learning is described as a complex asset of the firm that can be utilised to build competitive edge over rivals, which leads to better business performance (Hunt and Morgan, 1996).

### Entrepreneurial Orientation

In hostile business environments, entrepreneurial orientation is a decisive approach to continued growth and strategic renewal. It is a strategic orientation which embraces the particularly entrepreneurial aspects of firms’ strategies (Bhuiyan *et al.*, 2005; Covin and Slevin, 1989; Hult *et al.*, 2004; Lumpkin

and Dess, 1996; Wiklund, 1999; Wiklund and Shepherd, 2005). Entrepreneurial orientation being a strategic approach, considerably promotes various innovations in the firm. It is considered as an important driver to facilitate information relating to innovation and superior business performance (McGrath, 2001). Entrepreneurial orientation refers to “the process, practices and decision making activities that lead to new entry” (Lumpkin and Dess, 1996, p. 136). Lumpkin and Dess (1996) conceptualised entrepreneurial orientation to include risk-taking, proactiveness, autonomy, innovativeness and competitive aggressiveness. Further, Morris and Paul (1987) defined entrepreneurial orientation as the tendency of top management to take calculated risks, to be innovative and to exhibit proactiveness. Entrepreneurially-oriented firms modify and transform the environment and enthusiastically execute resources to accomplish uncertain opportunities. “An entrepreneurial firm is one that engages in product market innovation, undertakes somewhat risky ventures, and is first to come up with ‘proactive’ innovations, beating competitors to the punch” (Miller, 1983, p. 771). The advocates of entrepreneurial orientation recommend that organisations acting entrepreneurially are better able to adjust their operations in dynamic competitive environments (Covin and Slevin, 1989). Therefore, firms considering entrepreneurial orientation as their key features have reported superior performance than others (Wiklund, 1999; Zahra and Covin, 1995).

### Relationship Marketing Orientation

In today’s competitive global market, developing long-term relationship with customers is more important. Relationship marketing has been constantly considered as successful business practice worldwide. Over the past twenty years, relationship marketing has characterised a revitalisation in marketing (Bonnemaiz *et al.*, 2007) and it signifies international, industrial and services marketing and is also overruling traditional marketing theory (Davis, 2008). The term ‘relationship marketing’ was introduced by Berry in the services marketing literature in 1983 (Barnes, 1994; Gronroos, 1994). Berry defined relationship marketing as “attracting, maintaining and in multi-service organisations-enhancing customer relationship” (Berry, 1983, p. 25). A business implementing relationship marketing orientation enhances its performance, which has been supported by both marketing academicians and practitioners for about three decades (Berry, 1983; Fuhrman, 1991). Further, Fox and Stead (2001) asserted that successful customer relationship marketing put an emphasis on comprehending the needs and desires of the customers and is attained by placing those needs at the heart of the business by integrating them with the organisation strategy, people, technology and business processes. Relationship marketing orientation is positively associated with business performance of the organisation (Sin *et al.*, 2002). Further, it helps an organisation in

creating, developing and maintaining profitable exchanges with selected customers over time. Thus, the application of relationship marketing perspective leads to a more strategic focus and consequently, enhances the effectiveness of the organisation.

## IMPLICATIONS

The study contributes to theoretical knowledge about the role of different strategic orientations in enhancing firms' performance. Whether a firm is product-oriented, sales-oriented, customer-oriented, market-oriented, learning-oriented, entrepreneurially-oriented, or relationship marketing-oriented, is basically a matter of viewpoint. A successful firm must have all these characteristics (Enright, 2001). This paper reviews the emerging stream of literature in which several orientations are studied simultaneously. It is a matter of perspective whether a firm perceives orientations as necessity or alternatives. Managers of the firm put different emphasis on strategic behaviours and choose strategic orientations dependent upon what they aspire to achieve (Olson *et al.*, 2005). For instance, customer-oriented firms emphasise the creation and maintenance of customer value and try to achieve their goals by following a course of activities directed at satisfying their customer needs and wants. Selling oriented employees prioritise the attainment of an immediate sale at the expense of customer needs. In this context, selling orientation-customer orientation (SOCO) scale developed by Saxe and Weitz (1982) stress that customer oriented sales people try to increase customers' long-term satisfaction. Further, market-oriented firm establishes an organisational culture that supports customer orientation. Also, it peculiarises behaviours consisting information gathering about current and future customer needs, organisation-wide inter-functional coordination of marketing activities, and responsiveness to targeted customers (Grinstein, 2008). Furthermore, entrepreneurial and learning orientations support market focus (Liu *et al.*, 2003). Moreover, fierce global competition has forced firms to emphasise on developing long-term relationship with their customers and hence, the focus of the firm should shift from transaction marketing to the cultivation of relationship marketing. It is imperative for firms to recognise the significance of different business oriented philosophies. Further, it is argued that firm's effectiveness depends on the ability of a firm to fit multiple strategic orientations with environmental opportunities and threats (Griffith *et al.*, 2006). Firms' success and survival depend not only on one strategic orientation rather on the integration of different strategic orientations in terms of production orientation, sales orientation, customer orientation, market orientation, learning orientation, entrepreneurial orientation and relationship marketing orientation. The study suggested that firms should shift their focus, moving from studying only one

strategic orientation, to the study of various combinations of strategic orientation that firms can pursue in different situations. However, several studies showed that firms that combine market orientation with other strategic orientations are likely to perform even better than firms adopting only market orientation (Atuahene-Gima and Ko, 2001; Baker and Sinkula, 1999; Matsuno *et al.*, 2002). Therefore, firms should integrate different types of strategic orientations in order to enhance their performance. Hence, it can now be said that if firms are to be successful, they must practice the concept of overall strategic orientation.

## LIMITATIONS AND FUTURE RESEARCH

This study is purely conceptual in nature and hence, lacks an empirical investigation. Although this adds to the knowledge in the field of strategic orientation, future research should aim at covering limitation of the study by empirically examining these orientations in different sectors (e.g., manufacturing and service sectors). Further, the study takes in to account only few strategic orientations and therefore, further study is needed to explore other strategic orientations, e.g., international, resource, technological and employee orientation. Future research should also examine the relationship among different strategic orientations.

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