

# Effect of Strategic Orientations on Organizational Performance: Evidence from Top Management of a Private Bank in Ethiopia

Endeshaw Azaj\*, Mengistu Bogale Ayele\*\*, Worku Mekonnen\*\*\*

## Abstract

This study examined the effect of strategic orientations (market, entrepreneurial, learning, and technological orientations) on organizational performance in the case of Addis International Bank, Ethiopia (an emerging economy). The study employed explanatory research design and quantitative research approach. Data were collected from 105 survey respondents using self-administered questionnaire. Descriptive and correlation analyses, followed by multiple linear regression analysis, were used to test the hypotheses stated and answer the research questions. The findings of the study revealed that there is a strong and positive effect of entrepreneurial and technological orientations on organizational performance whereas market and learning orientations didn't have significant effect on organizational performance. Thus, to make these latter strategic orientations add value to the bank, it has to make co-alignment in strategy, structure, processes, and culture. Therefore, it is recommended that the Bank shall fully implement and configure strategic orientations as a source of competitive advantage and, thereby, achieve superior performance. Prior studies were made on strategy as a process and each construct individually. These findings contribute to the theory and practice of strategy and management by integrating all the strategy orientations together and providing recorded evidence from an emerging economy perspective.

**Keywords:** Strategic Orientations, Organizational Performance, Addis International Bank, Ethiopia, Emerging Economy

## Introduction

In the current dynamic environment, business organizations face multiple challenges in their regular operations. The rapidly changing technological developments and frequent changes in customers' tastes and preferences and uncertain future needs can be mentioned among others. In the field of strategic management, as stated by Krazkiewicz and Cyfert (2019), there are various approaches to describe strategic orientation dimensions. Strategic Orientations (Market orientation, entrepreneurial orientation, learning orientation and technological orientation) are among the most important strategic orientation dimensions. However, Hussain et al. (2013) argued that there is no main strategic orientation that can be applied across the board because each orientation has its own parameters, expectations, and contextual requirements to fit into the organization's environment. According to Balodi (2014), orientations and their contributions to organization's performance have been studied in marketing, entrepreneurship, and strategy literatures; but, as the research focus and unit of analysis in these disciplines significantly differ, many constructs such as entrepreneurial, learning, innovation, product, customer, market, marketing, selling, production, and technology have been developed in the research literature.

In the Ethiopian financial sector, there is no study on the impact of strategic orientation on business performance. Most of the studies deal with the formulation and implementation aspect of strategies instead of their impact on organizational performance. In the banking industry in Ethiopia, with increased pressure on

\* MBL Graduate, Addis Ababa University, Ethiopia. Email: endkefale@gmail.com

\*\* Assistant Professor, Addis Ababa University, Ethiopia. Email: mengistubogale@gmail.com

\*\*\* Associate Professor of Management, Addis Ababa University, Ethiopia. Email: worku.mekonnen@gmail.com

attracting new customer and scrambling for financial resources such as deposits and foreign currency across the industry, banks now have to be more innovative in their strategies. Likewise, to achieve a significant return on their investment and increase their market share, they now rely on a combination of traditional and digital channels. As explained by Papulova (2006) in order to ensure strategic success, organizations are required to have a clear understanding of the needs of the market and the satisfaction of targeted customers more effectively and more profitably than competitors do. Thus, the study intends to assess the type of strategic orientation of Addis International Bank (established on February 21, 2011, with paid up capital of Birr 109.4 million and started full-fledged banking operation on May 30, 2011 with five branches which has registered profit from the first year of operation and its figure in profitability has been increasing year-on-year).

It has long been known that, to be more competitive, organizations must develop a sound business strategy and properly re-align structure, culture, systems, leadership behavior, human resource policies, values and management processes. According to a study made by Obeidat (2016), by developing and implementing effective business strategy, organizations can enhance their performance through exploiting opportunities in the marketplace and capitalizing available resources and capabilities and exploring new possibilities to be responsive to environmental changes. However, it has been understood that not all organizations respond to the environmental changes in the same manner. Moreover, in their studies, Slater, Hult and Oslon (2018) argued that the results of prior studies made on strategic orientation and performance relationships are not clear and no conclusive statement and no consensus has been reached on the best strategic orientation of an organization.

As per Beliaeva (2019), the strategic orientation-performance relationship becomes more complex when analyzed with universal effect model; and most of the studies rely on contingency models. Recent studies on strategic orientation suggest that market, entrepreneurial, and learning orientations individually improve organization performance. But Lonial (2015) argued that although each of the orientations can improve an organization's performance, the potential impact of each orientation should not be viewed in isolation. Instead,

the integrated approach or the combination effect of the strategic orientations should be investigated. Therefore, albeit there are numerous studies related to strategic orientation and its impact on business performance in developed countries, to the researchers' knowledge, there has been almost no empirical study conducted in the banking sector in Ethiopia. Prior studies in the subject area have mostly focused on process aspects, from strategy formulation, and implementation to evaluation processes. Besides, as explained by Lelisa (2014), in most Ethiopian banks, performance is mainly measured with profitability measures such as ROA, ROC, and NIM. The impact of strategic orientations as measure of non-financial performance has been given little attention. In addition, the preliminary survey made on Addis International Bank shows that although there were corporate, business, and functional strategies, there was no clearly defined strategic orientation in the bank. As observed in the industry and explained by Mekonnin (2014), banking business in Ethiopia is increasingly becoming a challenge for both established and new banks especially for private ones.

Moreover, in the Ethiopian banking sector, customers perceive little difference in the products and services offered by banks; as any new offering is developed by one bank, it will be quickly imitated by others. This witnesses the limitations of the resource-based view theory, which states that the competitive advantage of an organization will be sustainable when it can be valuable, rare, not imitable by competitors, and manageable by organization. Therefore, with the approach adopted from Hakala (2011) and Bapat (2017), the study deploys performance measures based on employees' perception; and the study intends to fill the knowledge gap in the literature of strategic orientation-business performance relationship and assess the strategic orientation practice of Addis International Bank. The research questions for this study were how strategic orientations (market orientations, learning orientations, entrepreneurial orientations, and technological orientations) affect organizational performance individually and altogether.

The research will have significant contributions to the banking sector through evaluating strategic orientations and its effect on organizational performance. As per the researcher's knowledge, the study was the first research in the banking sector; it could contribute a lot to fill the knowledge gap in the empirical literature by

providing recorded evidence from the Ethiopian context (an emerging economy). In addition, it could be used as a basis for further research in the banking industry and other non-bank organizations. While previous studies in the literature show how these strategies individually affect organizational performance, this study, observed the combined effect of market, entrepreneurial, learning, and technological orientation on the bank's performance.

## Review of Related Literature

### Perspectives on Business Strategy

As stated by Rizzo (2011), business strategy has wider perspectives: Strategy from a Contingency, Configurationally or Universalist viewpoint; Strategy as fit or as congruence; Strategy as a unique and valuable position, etc. With these perspectives, there are several schools of strategy like the design school and the planning school. In view of the above perspectives, having a sound business strategy enables organizations to find solutions to problems, create new capabilities, and improve business performance by allowing managers to deploy specific resources, recognize opportunities for providing valued products and services, and promote those products and services to bring higher profits (Obeidat, 2015). In the study of the relationship between strategy and organizational performance, there are various theoretical underpinnings. Among others, resource-based view (RBV) and contingency theory can be used for this study (Kaliappen & Hilman, 2015).

### The Resource-Based View

One of the theories that widely used in the study of organizational performance is the resource-based view theory. The RBV focuses on the organizational unique resources and capabilities, which differentiate one organization with the other organizations in the similar industry (Innocent, 2015). In this connection, with an intention to further develop the classical resource-based theory (RBT), dynamic capability theory has been emerged; and this increased the understanding of how organizations' value-creating strategies meet a dynamic environment to achieve sustainable organizational performance (Pratono, 2016). The classical RBT assumes

that organizations require deployment of valuable assets, capabilities, and information that organizations control to conceive and implement their strategy and thereby achieve competitive advantage.

### Contingency Theory

In the contingency theory, organization performance has been assumed as the result of the fit between several factors such as structure, people, technology, strategy, and culture as a common proposition to all contingency approaches (Tosi & Slocum, 2015). The basic argument of contingency theory is that organizations achieve best performance when their structures are appropriate to deal with the contingencies imposed by their size, technology, and environment (Pratono, 2016).

### Strategic Orientations

Grounded on the strategic perspectives, numerous studies in the field of strategic management identified two views to describe the concept of strategy: Strategy content and strategy process (Hakala, 2015). The content perspective argues that competitive advantage derived from the content of the strategy that relate to competitors comprising of uniquely valuable resource combinations (Resource-Based View) or positions in the markets. While the process perspective argues that processes such as analysis and planning, learning and development, or entrepreneurial behaviors can bring competitive advantage to the organization. However, some others may not make such distinctions, and suggest that managers in practice also integrate these views and perceive the strategy as a combination of processes and contents. Simply stated, the strategic orientation represents the strategy that a firm implements to achieve and maintain performance.

Aligned with these strategic concepts and perspectives, there are three streams in the study of strategic orientation and business performance relationship: the first is the Milles and Snow typology of strategic orientations as defender, prospector, reactor, and analyzer in response to environmental changes. The second stream deals with the Porter's generic strategies of cost leadership, differentiation, and focus strategies to enhance organization's performance. The third stream is developed

by Hakala (2011) and Venkatraman (1989), who identified strategic orientations as a configuration of market, entrepreneurial, learning, and technological orientations, and studied the synergetic and combined effects of strategic orientations on organizational performance. However, Kerdpitak and Boonrattanakittibhumi (2020) argued that although there are numerous studies on the impact of strategic orientation on organization performance based on these three streams, the result is mixed and inconclusive.

Besides, Porter (1985) characterized business strategy as a source of achieving competitive advantage while strategic orientation provides direction to the organization to create behaviors that can produce superior performance. Hence, the concept of strategy embodied to the study of Porter's generic strategies of cost leadership, differentiation, focus strategies as well as Miles and Snow (1978) strategy typologies of defender, analyzers, prospector and reactor. Whereas, the term "strategic orientations" was first used by Venkatraman (1989); and he defined it through the dimensions of strategic aggressiveness, analysis, defensiveness, futurity, pro-activeness, and riskiness; and he also suggested that using managerial perceptions and beliefs the strategic orientation of an organization may be measured on the organizational processes on these six dimensions. On the other hand, as stated by Arafah (2018), strategic orientation refers to an organization's inclination towards allocating and coordinating resources in a manner to achieve competitive advantage and organization performance.

Based on the foregoing concepts of strategy, the term strategic orientation has been defined as the directing principles of an organization, which significantly affect the strategic management process and organizational marketing activities (Faiz, 2015). Strategic orientation can also be described as a set of strategic management principles that generates the behaviors of an organization intended to enhance its performance; and it represents the strategic direction of an organization to create the proper organizational behavior and achieve the stated organizational goals (Hakala, 2011). Zhou and Li (2010) also added that the strategic orientation focuses on the way an organization adapts to and interacts with its external environments; and a study made by Okoroagu et al. (2019) described it as strategic fit, strategic predisposition, strategic thrust, and strategic choice.

However, Obeidat (2016) claimed that although strategic orientation has got widespread attention from management, marketing, and entrepreneurship scholars, researchers did not find universally accepted definition. In this regard, the very nature of orientation is a matter of debate, and literatures from different streams have developed diverse concepts. For the sake of consensus in this study, orientation refers to the general or lasting direction of thought, inclination, or interest. And, as Obeidat (2016) stated, strategic orientation refers to the manner in which an organization adapts to its external environment. Obiedat (2016) further explained that strategic orientation could be defined as the pattern of responses that an organization makes to its operating environment in an effort to enhance performance and gain competitive advantage. In this paper, therefore, strategic orientation is viewed as "principles that direct and influence the activities of an organization and generate the behaviors intended to ensure the viability and performance of the organization; and these principles can also be used to guide the activities of the organization".

However, in the current era of globalization, the business environment is continuously changing and organizations are facing with several market challenges such as frequent changes in technology and consumer behaviors. The study made by Faiz (2015) stated that to deal with these market challenges, organizations need to evaluate both the internal and external environmental factors that help in achieving the competitive advantage and superior organizational performance. However, how enhanced performance can be achieved and what organizational strategies should be followed by the management are still the issues that need to be further investigated.

While operating their businesses, organizations face with many challenges in strategic implementations with respective strategic orientations. Ahmed et al. (2018) emphasized that to deal with these challenges and ensure the enhanced organizational performance, adopting proper organizational strategies is a must. Therefore, it can be understood that the reason why the performance of organizations differs from one another in the similar industry is due to the different strategic orientation level in the organization. In this regard, Weinzimmer et al. (2012) argued that strategic orientation should be considered as an important organizational tool to produce the organizational outcomes needed for

enhanced organizational performance and longevity. In this regard, strategic orientation, organizational culture, and management commitment are the internal factors that determine the performance of an organization (Ahmed & Othman, 2018). In the studies of Rani, Seheba and Zergaw (2017), the determinant factors of bank performance have been classified into three categories; internal factors (bank specific factors), industry-specific factors, and macroeconomic factors. Thus, strategic orientations are the internal factors that determine the performance of an organization.

### Types of Strategic Orientation

Organizational strategy determines the organization's internal processes and helps it adapt to environmental conditions (Krzakiewicz & Cyfert, 2018). Thus, strategy can be defined as a set of specific "pathways" whereby an organization can achieve its basic goals by shaping and directing its activities. And, the search for key strategy components and attempts to the implementation of strategy are linked to the sources of strategic orientation.

Studies on strategic orientation arise from two distinct research streams: strategic management and strategic marketing, each of which has a set of typology (Zhou & Li, 2007). The strategic management stream follows Miles and Snow's (1978) traditional typology to conceptualize strategic orientation in terms of reactors, defenders, analyzers, and prospectors. Strategic marketing stream stems from the dynamic market orientation literature, originally developed by Kohli and Jaworski (1990) and Narver and Slater (1990), and further refined by Gatignon and Xuereb (1997), strategic orientation includes market (customer and competitor) orientation, technological orientation, entrepreneurial orientation, production orientation, and selling orientation. In addition, Arafah (2018) stated that the main strategic orientation typology was proposed by Narver and Slater (1990). They studied first the impact of market orientation on organizational performance followed by entrepreneurial orientation studied by Lumpkin and Dess (1996); and then technological orientation researched by by Gatignon and Xuereb (1997) and Sinkula et al. (1997) studied learning orientation. Furthermore, as emphasized by Ibrahim and Shariff (2016), a number of studies have indicated that market orientation, technological orientation,

entrepreneurship orientation, and learning orientation are the most important corporate resources that can give organizations a competitive advantage and bring enhanced organizational performance. In this regard, Li and Zhou (2007) explained that as per the strategic management stream, reactors lack a consistent strategy; and they added that defenders endeavor to serve stable product or market domains that contain a particular customer group and established market structure. Li and Zhou (2007) also claimed that prospectors focus on innovation and change, and strive to compete primarily by stimulating new market opportunities and grabbing emerging trends and technologies; while defenders and prospectors reside at opposite ends of a continuum of strategic pro-activeness, and analyzers the prospector and defender orientations. It has also been reported that an analyzer orientation leads to better performance than prospector or defender orientations, possibly because it aligns better with the rapidly changing market.

In addition, although these strategic management and marketing management streams differ from each other, these two major strategic orientation typologies have some common characteristics. For example, organizations that use a competitor orientation attempt to put their strengths against their rivals' weaknesses, and share many commonalities with analyzers. Technology and entrepreneurial-oriented organizations, with their inherent needs for state-of-the-art technology and market opportunities, possess a similar nature to that of prospectors. A customer orientation, which strives to serve customers, shares similar characteristics with the concepts of prospectors and analyzers.

When it comes to comparing strategies used by different organizations, Hussain et al. (2013) underlined that strategic orientation that laid the ground for long-term success for an organization and develops appropriate behavior within the organization to ensure superior performance are more important; and their study added that the prime motive of strategic orientation is to predict the uncertainty that occurs in the environment and to create a strategic match between internal organizational resources and external forces. In connection to this notion, Hakala (2011) listed many constructs of strategic orientation, i.e. entrepreneurial, market, learning, innovation, product, customer, marketing, sales, production and technology, as needs, indicating a scope of reconciliation of the strategic

orientation literature. However, as per the study made by Krzakiewicz and Cyfert (2018), the three most commonly cited strategic orientations are entrepreneurial orientation, market orientation, and learning orientation. These strategic orientations direct various company behaviors, each of them addressing in its own way how to compete in any given market segment.

Ibrahim and Shariff (2016) have also provided insights from strategic orientation dimensions by integrating market orientation, technological orientation, entrepreneurial orientation, and learning orientation. They elaborated on how these orientations interact with each other and their effect on organizational performance. Therefore, the interplay between different strategic orientations may provide organizations with competitive advantages, which can lead to better performance. In addition, the positive effect of strategic orientations on organizational performance is enhanced when a number of orientations are pursued simultaneously (Krzakiewicz & Cyfert, 2018). They concluded that when strategic orientations are integrated or used in a configuration, better results achieved than would be on only one line of strategic behaviors is followed. On the other hand, Okoroagu (2019) argued that since strategic orientation may differ from one organization to the other; and vary based on contextual organizational variables, strategic orientation is viewed as a multidimensional construct.

In his study of strategic orientations' systematic review of literature, Hakala (2011) developed three approaches to understand the interaction between market, technology, entrepreneurial, and learning orientations. These are the sequential, alternative, and complementary approaches to perceiving the relationship between orientations and organizational performance. In general, both technological orientation and market orientation focus on customer's value. But market orientation mainly focuses on the external environment of the organization in terms of its customers and competitors and turning market knowledge in to valuable actions; whereas technology orientation has internal perspectives and focused on the development of new technologies, products and services thereby creating customers value and providing competitive advantage to the organization (Obeidat, 2016). Entrepreneurial orientation includes certain attributes or processes, namely innovativeness, pro-activeness, and risk-taking behaviors that are crucial for success.

## Market Orientation

In the study of market orientation, Kohli and Jaworski (1990) and Narver and Slater (1990) are pioneers to measure the impact of market orientation on organizational performance. According to a study made by Kohli and Jaworski (1990), market orientation (MO) refers to the organization-wide generation of market intelligence for the current and future customer needs, dissemination of intelligence across departments, and organization-wide responsiveness. According to Narver and Slater (1990), these concepts represent a sustainable competitive advantage. They also added that "Market orientation can also be the organization's culture that creates the necessary behaviors that derives superior value for buyer's superior performance for organizations". Furthermore, it can be termed as a competitive strategy that most efficiently generates the appropriate behavior to create enhanced value for the consumer and ensure sustainable performance for the organizations. In this regard, the orientation shall be towards the customer and the competitor with inter-functional coordination. Market orientation can be defined as the company's ability to continue learning about customers, competitors, and environmental factors in both existing and potential market (Richard et al. 2018). And, according to Narver and Slater (1990), market orientation refers to an organizational culture in which organizations strive to create and maintain superior value for their customers. As per a study made by Richard et al. (2018), although much research has been conducted on market orientation, the two views below are considered the most important: the behavioral perspectives and cultural perspectives. Behavioral perspective focuses on organizational characteristics such as strategy, structure, processes, and activities. From a behavioral perspective, market intelligence of organizations related to current and future customer needs, and intelligence dissemination across departments and organization's response to it. And, from a cultural perspective, market orientation builds a culture that focuses on satisfying the needs and desires of the customers and striving to be better than their competitors.

Narver and Slater (1990) stressed that the cultural perspective of market orientation defines the term as an organizational culture that encompasses values and norms. This view brings about market orientation as the most effective organizational culture that creates the behaviors necessary for superior value creation for buyers and

makes sustainable superior performance for the company. Narver and Slater consider market orientation to be an organizational culture consisting of three components, namely, customer orientation, competitor orientation, and inter-functional coordination. Thus, market orientation is defined as an aspect of corporate culture that places the highest priority on the superior customer value creation and delivery.

In connection with this understanding, Kohli and Jaworski (1990) argued that sometimes market orientation can also be referred to as the implementation of the marketing philosophy. Numerous studies in the area of marketing like Ferdous and Polonsky (2011), Narver and Slater (1990), and Kohli and Jaworski (1990) posited that organizations with market-oriented behavior (internal and external) perform better and are likely to gain competitive advantage over competitors, which in turn leads to superior organizational performance. The study made by Ahmed and Othman (2017) also added that if organizations develop a strong organizational culture through considering market orientation as a culture, organizational performance will be enhanced. Therefore, the following hypothesis can be developed:

*H<sub>1</sub>: Market orientation has a significant positive effect on organizational performance.*

### **Entrepreneurial Orientation**

Richard et al. (2018) explained that in the entrepreneurial orientation construct, there are various perspectives at the organization level. For example, the entrepreneurial style of top management in terms of their propensity for risk-taking, innovation, and pro-activeness are the widely used constructs in most researches. Entrepreneurial orientation is a strategic orientation, which captures specifically entrepreneurial aspects of organizations' strategies. According to a study made by Hakala (2010), the top management's tendencies towards risk taking, innovativeness, and pro-activeness are considered as fundamental to entrepreneurial orientation.

The study stressed that when organizations are entrepreneurially oriented, they can change and shape the environment, explore new and creative ideas that may lead to changes in the marketplace, and are willing to commit resources to exploit uncertain opportunities;

and they do so proactively ahead of the competition with anticipating future demand. Thus, according to Hakala (2010), this kind of better adjustment and reshaping of the environment should have positive effects on organization performance. In the study, it has been emphasized that the roots of entrepreneurial orientation can be traced in the grounds of strategic choice perspective on strategy; and the success of the organization cannot be determined by the environment alone, but strategic decision-making also has an impact on it. However, it has been acknowledged by entrepreneurial orientation literature that environmental characteristics, resource deployment and other organizational factors are contingent to the entrepreneurial orientation and performance relationship. Therefore, the following hypothesis can be developed:

*H<sub>2</sub>: Entrepreneurial orientation has a significant positive effect on organizational performance.*

### **Technological Orientation**

As stated by Obeidat (2016), technology is an important tool to connect customers and organizations and used to improve the ability to collect customer information. A technology-oriented organization seeks to acquire new and advanced technologies to develop new processes, products, and services, even though the rate of technological change within its industry might affect its technological adoption or development. Therefore, technological orientation is defined as an organization's inclination to introduce or use new technologies, products, or innovations. As per the study of Halac (2015), technological orientation refers to the organization's degree of commitment to research and development, acquisition of new technologies, and applications of the latest one.

Technological orientation as a strategic orientation is a culture-based, organization-specific and consisting of complex capabilities built up on the RBV of technology-intensive products that are hard to imitate, hard to substitute, rare and valuable capabilities that provide competitiveness and superior performance as expected from a strategic orientation. The study made by Obeidat (2016) suggested that an organization's technological orientation could lead to the development of more innovative, technologically superior products compared to those offered by competitors. Technological orientation

would have significant contribution to the improvement of product performance and business performance. Hence, the following hypothesis can be developed:

*H<sub>3</sub>: Technological orientation has a significant positive effect on organizational performance.*

### Learning Orientation

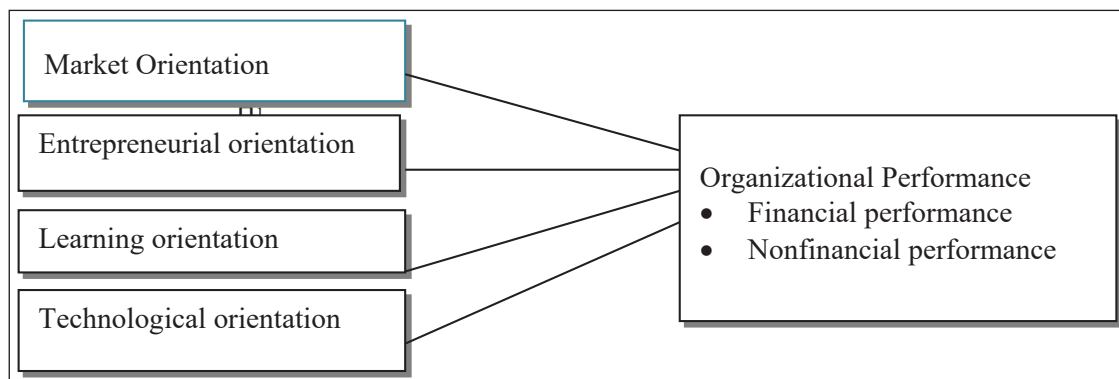
As explained by Hakala (2011), learning may be viewed as the development or acquisition of new knowledge, which has the potential to influence behavior; a more rigorous view assumes that learning actually results in new behaviors or value creation. So, learning orientation is viewed as the organization's propensity to create and use knowledge. Therefore, the dimensions of learning orientation can be conceptualized as shared vision, open mindedness, and commitment to learn. Furthermore, Hakala (2011) emphasized the possibility to see learning orientation as encompassing the market and technological orientations, as obtaining, sharing and using market knowledge. Hakala (2011) also argued that the development of new technologies, products or processes can also be seen as specific forms of learning.

On the contrary, as per Sinkula et al. (1997) as cited by Hakala (2011), it has been stated that the commonly used measures of learning orientation do not deal

specifically with the aspects of customers, competitors, or technologies. The study made by Lonial (2015) also stated that employees can be encouraged to challenge the prevailing norms by “thinking outside the box” and thereby re-inventing themselves in the face of complex, challenging, and dynamic environments if organizations have strong learning orientations. It has also been noted that the positive relationship between learning orientation and performance is based on the notion that organizations that can learn from their environment are more quickly adapt to changing business scenarios than their respective competitors, provided there are rapid improvements in product and/or service quality. In turn, these tendencies lead to enhanced firm outcomes and ongoing competitive advantage and superior performance. However, Lonial (2017) argued that the impact of LO on performance of the organization may vary by company size. In particular, smaller firms may exhibit less commitment to learning than their larger counterparts do. Therefore, the following hypothesis can be developed:

*H<sub>4</sub>: Learning orientation has a significant positive effect on organizational performance.*

Based on the above literature review, the following conceptual model was used to test the relationship among the variables of the study.



**Fig. 1: Conceptual Framework for Strategic Orientation – Organizational Performance Relationship**

### Research Design and Methodology

According to Creswell (2009), research approaches are plans and procedures for research that span the steps from broad assumptions to detailed methods of data collection, analysis, and interpretation. There are three research approaches; namely qualitative, quantitative, and mixed

methods. In view of the above concepts, this research was designed to use the quantitative approach where the relationship between different variables was empirically tested. The research was also designed as explanatory one in that the relationship between independent variables (market, entrepreneurial, learning, and technological orientations) and organizational performance; and the

interrelationship between the independent variables and correlations were empirically tested with regression model.

The target population in this study involved all managers and professionals working at both corporate and branch levels of Addis International Bank. In this regard, the target population included directors, customer service managers and division managers, and senior officers of the bank. The very reason for targeting these managerial and professional workers was due to the fact that most of the strategic issues and performance measures are assumed to be handled by them. As defined by Lavrakas (2008), a sample design is the framework, or road map, that serves as the basis for the selection of a survey sample and affects many other important aspects of a survey as well. Therefore, the sampling frame incorporated in this study were directors, branch managers, customer service managers, division managers, and senior officers assigned at the head office and throughout 71 branches of the bank. Since the total number of the population in strategic issues in the bank is small, a census was preferred for collecting data. Thus, data were collected from all population without using a sample survey. Therefore, the sample size has been counted as 139, which were equal to the targeted population. The sample size determination was based on 95% level of confidence and 5% margin error.

A self-administered structured questionnaire was used to collect data from the targeted respondents. Since the survey was self-administered, the participants were requested to return the questionnaire within a week's time. The study was a quantitative type of research with the structured questionnaire that contains questions about the dependent and independent variables. The constructs of the dependent and independent variables are adapted from the studies of Narver et al. (2004), Olson et al. (2005), Han et al. (1998), Babu (2017), Dutta, Gupta and Chen (2016), Hongming, Changyong, Chunhui (2007), Hakala, (2010), and Obeidat (2019). The questionnaire contains six questions for demographic information, 17 questions for market orientation measures, 10 questions for entrepreneurial orientation, 14 questions for learning orientation, 9 questions for technological orientations, and 9 questions for organizational performance measures. The five-point Likert scale of measurement was used to measure the independent variables in the form of 1 for "strongly disagree", 2 for "dis-agree", 3 for "neutral", 4 for

"agree", and 5 for "strongly agree". While in the measure of organizational performance, respondents will respond 1 for very low, 2 for low, 3 for average, 4 for high, and 5 for very high. With regard to data analysis, the study used descriptive, correlation, and linear regression analyses to observe the influence of the independent variables on the dependent variable using statistical package for social sciences (SPSS v 24). In the survey, the variable used to indicate market orientation was computed from the mean scores of the constructs of customer orientation, competitor orientation, and inter-functional coordination. Similarly, the variable, entrepreneurial orientation was computed from the constructs of pro-activeness, risk taking, and innovativeness. The mean scores of learning orientation were computed from commitment to learning, shared vision and open-mindedness. The mean scores of technological orientation were computed from commitment to R&D, acquisition of new technology, and application of latest technology.

As stated by Heale and Twycross (2015) reliability and validity are the two distinct criteria by which researchers evaluate their measures. They defined reliability as a consistency across time (test-retest reliability), across items (internal consistency), and across researchers (inter-rater reliability), and validity is the extent to which the scores actually represent the variable they are intended to. According to Heale and Tycross (2015), Cronbach's Alpha is the most commonly used test to determine the internal consistency of an instrument. The Cronbach's  $\alpha$  result is a number between 0 and 1; and it will be acceptable if the reliability score is 0.7 and higher. Hence, the data were found to have better consistency within items as the coefficient of Cronbach's Alpha is  $>0.9$ , which is closer to 1.

## Results and Discussions

### Demographic Characteristics of the Respondents

Demographic characteristic of respondents has been gathered with questionnaire to know the age, gender, title or position, work experience, and educational level of the respondents. This information is mainly important to the researcher to have some general insights about the collected data. Accordingly, the following Table 1 shows the age, gender, position, work experience, and educational qualification of the respondents:

**Table 1: Demographic Characteristic of Respondents**

Category		Frequency	Percentage
Gender	Male	79	75.2
	Female	26	24.8
	Total	105	100
Age	Less than 25 years	6	5.7
	26-35 years	54	51.4
	36-45 years	36	34.3
	Above 45 yr	9	8.6
	Total	105	100
Position in the Bank	Directors and Service Manager	10	9.5
	Division Manager	22	21
	Branch Manager	40	38.1
	Customer service Manager	11	10.5
	Senior officer	22	21.0
	Total	105	100
Educational Qualification	Diploma	2	1.9
	Bachelor's Degree	61	59.1
	Master's degree	42	40
	Total	105	100

Survey result indicated that the 75.2% of the respondents are male and 24.8% are female in the gender distribution; and in the age distribution, 51.4% of the respondents are between the age of 26 up to 35 years and 34.3% are in the range of 36 and 45 years. This indicates that most of the workers in the strategic area of the bank are male and fall in the age range of 26-35 years. As observed in the statistics of educational qualification, 59.1% of the respondents hold bachelor's degree and 40% hold master's degree. This indicates that the strategic issues are mainly handled by highly academic professionals and the respondents were appropriately fit for the survey under consideration.

### Descriptive Analysis

The descriptive analysis has been made using the mean score of each independent variable for the aim of achieving partial research objectives of the study. Therefore, according to Zaidatol and Bagheri (2009), the mean score below 3.39 is considered as low; the mean score from 3.40 up to 3.79 is considered as moderate, and mean score above 3.8 is considered as high.

**Table 2: Descriptive Statistic of Strategic Orientation Dimensions**

SO-Type	Descriptive Statistics				
	N	Minimum	Maximum	Mean	Std. Deviation
Market orientation	105	2	5	3.28	.583
Entrepreneurial orientation	105	1	5	2.93	.776
Learning orientation	105	1	5	3.30	.734
Technological orientation	105	1	5	2.71	.778
Organizational performance	105	1	5	2.74	.603

As observed in the above Table 2, all the mean scores of the strategic orientation dimensions were in the range of low scale per the stipulation of Zaidatol and Bagheri

(2009). These mean scores and standard deviation of strategic orientation dimensions show the strategic orientation practices observed in the bank. Therefore,

viewed from the cultural perspectives, the market orientation of the bank has a low extent of customer value creation, competitors' analysis, and inter-functional coordination (M = 3.28, SD = .583), and the low-standard deviation indicates that the variation in responses of the observation is low. Similarly, the entrepreneurial orientation represented by pro-activeness, risk taking, and innovativeness of the bank found to be in lower position (M = 2.93, SD = .776). In the same manner, learning orientation expressed by commitment to learning, shared vision, and open mindedness were also found to be in lower level (M = 3.30, SD = .734). Furthermore, technological orientation have been found to be in a lower extent (M = 2.71, SD = .771). In addition, the mean scores of marketing orientation and learning orientation, 3.28 and 3.3, respectively, were higher than the mean scores of organizational performance (2.74) indicating that the large-scale marketing and learning activities were not ended with high organizational performance. This situation implies that there were no positive relationships between these strategic orientations with organizational performance. On the other hand, the mean score of technological orientation was smaller than the mean

score of organizational performance. This indicates that although the technological activities were in a lower level of measurement, it created positive relation with organizational performance.

### Correlation Analysis

The correlation analysis among independent variables (strategic orientation dimensions) and dependent variable (organizational performance) has been carried out. Correlation analysis helps to find out if relationship between variables exists and how strong it is. The Pearson's correlation coefficient has been used if the data are normally distributed. According to Cohen (1988), the value of Pearson's correlation is divided into three areas. A correlation coefficient between 0.10 and 0.29 indicates a weak correlation, a correlation coefficient between 0.30 and 0.49 indicates a medium correlation, and a correlation coefficient between 0.50 and 1.0 indicates a strong correlation.

The following Table 3 shows the Pearson's correlation of dependent and independent variables.

**Table 3: Pearson's Correlation Analysis**

		MO	EO	LO	TO	OP
MO	Pearson Correlation	1				
	Sig. (2-tailed)					
EO	Pearson Correlation	.726**	1			
	Sig. (2-tailed)	.000				
LO	Pearson Correlation	.628**	.718**	1		
	Sig. (2-tailed)	.000	.000			
TO	Pearson Correlation	.694**	.828**	.655**	1	
	Sig. (2-tailed)	.000	.000	.000		
OP	Pearson Correlation	.506**	.673**	.457**	.665**	1
	Sig. (2-tailed)	.000	.000	.000	.000	

Key: MO-Market Orientation, EO-entrepreneurial Orientation, LO-Learning Orientation, TO-Technological orientation, and OP-Organizational Performance.

According to Cohen (1988), the classification of correlation between variables, all the coefficients were in the range of 0.5-1.0 except the relation between learning orientation and organizational performance, which was 0.457 and the others had strong correlation. This implies that the independent variables (market, learning, entrepreneurial, and technological orientations) were individually expected to influence organizational

performance. This is in line with the RBV of the firm and contingency theories stated in the literature.

### Multiple Regression Analysis

According to Mooi et al. (2017), regression analysis is a way of fitting a "best" line through a series of

observations. Multiple linear regressions have been conducted to identify the relationship and to determine the most dominant variables that influenced organizational performance. This regression analysis was conducted to know by how much each independent variable (market orientation, entrepreneurial orientation, learning

orientation, and technological orientation) explains the dependent variable (organizational performance). The level of significance is less than 0.05 (p-value < 0.05). It can be concluded that a linear relationship exists between organizational performance and strategic orientation dimensions.

**Table 4: Coefficients of the Linear Equation**

		Coefficients <sup>a</sup>				
		Model	Unstandardized Coefficients	Standardized Coefficients	T	Sig.
1	(Constant)	1.249	.257		4.869	.000
	MKT_ORTN	-.012	.112	-.012	-.107	.915
	ETRN_ORTN	.347	.113	.447	3.076	.003
	LRN_ORTN	-.079	.086	-.096	-.914	.363
	TECH_ORTN	.283	.102	.366	2.781	.006

a. Dependent Variable: ORGN\_PERF

The p-values for the coefficients indicate whether these relationships are statistically significant or not. Therefore, the above Table 4 shows that the relationship of market orientation and learning orientation with organizational performance is not significant as the coefficients are negative and significance level is greater than 0.05 (p-value > 0.05). The t-test also show that the t-statistic of market orientation and learning orientation are less than the table t-value of 1.96 at 2-tailed and 0.05 level of significant; and the t-statistic of entrepreneurial orientation and technological orientation are greater than the table value (1.96 at 2-tailed and 0.05 level of significance). Therefore, the two hypotheses that market orientation has positive influence on organizational performance and learning orientation has positive influence on organizational performance, have not been supported. And, the other two hypotheses that entrepreneurial orientation has positive influence on organizational performance and technology orientation has positive relation with organizational performance have been supported. The findings on the relationship between technological orientation and organizational performance was supported by the study made by Chandler (2000) who argues that technology oriented organizations deploy their resources for acquisition of new and advanced technologies and thereby increase their business performance. Therefore, organizations can introduce new products and services to ensure customer satisfaction thereby contributing

improved performance if they have a high technological orientation. Another support to the findings of this research was the study made by Tsai (2004) who argued that with technological orientation an organization can increase efficiency by introducing process innovations and secure high product differentiation that lead to improved business performance.

In addition, the findings of this study on the effect of learning orientation on organization performance has been supported by the study of Long (2013) who found that there is no significant relationship between learning orientation and organizational performance. The findings also highlight that the need for managers to be more proactive, more innovative and take risk in their investment decisions. These will improve the development of exploration and exploitation of new ideas. In addition, the bank's management that needs superior performance should constantly learn from their environment. And, the results suggest that owners and managers of the bank should invest more in developing new technologies and utilization of the available technologies. Therefore, based on the results of this study it has been concluded that the bank needs to combine its entrepreneurial ability and adopting new technology trends in the banking industry. In a nutshell, the findings from the study reinforced the importance of strategic orientation to the performance of business organizations. This means the bank can improve its business activities and achieve better performance

through the employment of appropriate strategic orientations. Thus, Consistent with the RBV, findings of this study suggest that these organizational intangible resources are important in terms of increasing the bank's performance

## **Conclusions and Directions for Future Research**

The descriptive statistic show that the mean scores of two of the dependent variables, namely market orientation and learning orientation, show mean scores statistically greater than the mean scores of the performance indicators. This situation made the relationship of these two independent variables to have no significant relationship with the dependent variable; indicating that the bank's good marketing and learning and development activities did not bring significant result in its business performance. As stated above, the two hypotheses were declined. The hypothesis that learning orientation has positive relation with organizational performance was not supported in this study. As stated by Sulyano and Rahab (2012), declining of this hypothesis can be explained as the learning organization cannot directly improve the performance of the organization but it must go through other variables that may intervene between organizational learning with business performance; they also argued that market orientation can strengthen learning orientation and innovativeness. In addition, the findings of this study on the effect of learning orientation on organization performance has been supported by the study of Long (2013) who found that there was no significant relationship between learning orientation and organizational performance. But, contrary to what was expected, the effect of market orientation on organizational performance was found to be not significant in this study. According to Baker and Sinkula (2005), the positive impact of market orientation can be weakened by learning orientation and ended with negative impacts on the result of the new product and organizational performance. The findings on the negative relationship of market orientation were found to be contrary to numerous studies in strategic orientation literatures. However, it can be concluded that the indirect relationship can be changed with adding mediator variables such as dynamic capability and workers motivation that could convert the high marketing activities of the bank to enhanced performance.

Related to the entrepreneurial orientation, past studies like Long, (2013), Wilund and Shepherd (2005) support the result that the effect of entrepreneurial orientation on organizational performance stating that the entrepreneurial activities improve organization performance. Therefore, EO can help the bank to overcome the problem of weak performance if it adopts high entrepreneurial behavior. Thus, findings suggest that the one-dimensional EO that comprise innovativeness, pro-activeness, and risk taking positively enhance firm performance. Regarding technological orientation, prior studies suggested that technological orientation was an important factor for the survival of organizations. The result of this study also supports these previous findings and shows that technological orientation positively affects organizational performance. Consistent with the RBV, findings of this study suggest that these organizational intangible resources are important in terms of increasing the bank's performance.

The findings also highlight that the need for managers to be more proactive, more innovative and take risk in their investment decisions. In addition, the bank's management that needs superior performance should constantly learn from their environment and invest more in developing new technologies and utilization of the available technologies. Therefore, based on the results of this study, it has been concluded that the bank needs to combine its entrepreneurial ability and adopting new technology trends in the banking industry. In addition, findings indicated that the need for more research in this area, mainly related to relationship between other strategic orientation and performance, and possible mediators and moderators that will explain the relationship more. There are also so many empirical evidences in support of the positive effect of strategic orientation on organizational performance in the literature review part of the study. In the nutshell, the findings from the study reinforced the importance of strategic orientation to enhance the performance of business organizations. This means the bank can improve its business activities and achieve better performance through the employment of appropriate strategic orientations. Future research may consider other dimensions of strategic orientations, other banks, and insurance companies in Ethiopia and other sectors of the economy.

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