

Chapter 7

Strategic Orientation and Performance of Istanbul Stock Market Businesses: Empirical Studies Based on Business, Information Systems, and Knowledge Strategic Orientation

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ABSTRACT

The primary objective of this chapter is to critically examine the effect of strategic orientations on the innovation and the performance of Istanbul stock market businesses in Turkey. The three most comprehensive constructs, namely strategic orientation of business enterprises (STROBE), strategic orientation of information systems (STROIS), and strategic orientation of knowledge-based enterprises (STROKE) instruments, were adopted to present a holistic picture of the effect of strategic orientation on innovation and firm performance. A survey was administered and a sample of 203 middle managers was analyzed using SmartPLS version 3.2.7 for inferential analysis and SPSS version 24 for descriptive insights.

INTRODUCTION

Strategic orientation involves the implementation of strategic directions that guide the activities of a firm to establish behaviors that achieve continuity in optimal performance for the business (Hakala, 2010; Liu and Fu, 2011; Jeyakodeeswari and Jeyanithila, 2013). Understanding strategic orientation dimensions is important in revealing organization's chances and ability to align and adapt with its external environment (Choy and Mula, 2008; Avci et al., 2011) to secure competitive advantage for itself (Abiodun

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et al., 2011). Many organizations emphasize strategic orientation as a way to vitalize management and maintain their competitive advantage (Abdallah et al., 2014; Aloulou and Fayolle, 2005; Atuahene-Gima and Ko, 2001; Baker and Sinkula, 2009; Gatignon and Xuereb, 1997; Gao et al., 2007; Hakala, 2010; Hult et al., 2004; Jeong et al., 2006; Kaya and Seyrek, 2005; Kumar et al., 2012; Li, 2005; Masa'deh et al., 2010; Noble et al., 2002; Rhee et al., 2010; Salavou, 2005; Zehir et al., 2015; Zhou et al., 2005). Strategic orientation may help businesses adapt to the fast-changing market as well as obtain and maintain competitive advantage, which positively affects businesses' performance (Altindag et al., 2011; Jiao et al., 2013; Obeidat et al., 2016; Shannak et al., 2012; Teece, 2007; Winter, 2003; Zott, 2003) by building possible dynamic capabilities (Zhou and Li 2010). Apart from exercising strategic orientation, firms are also encouraged to ensure alignment of different sets of organizational capabilities in order to pursue continuous innovation for sustainable success (Masadeh and Shannak, 2012; Thourmrungrroje and Racela, 2013). Innovation is considered the best way to go in order to compete in the twenty first century as it fuels organizational growth, drives future success, and is the engine that allows organizations to sustain their viability (Lin and Chen, 2007). The various challenges faced by organizations have forced them to embrace innovation as an integral part of corporate strategy (Keskin, 2006). Therefore, innovation is well documented as an important driver of competitiveness, profitability and, productivity (O'Regan and Ghobadian, 2005). However, entrepreneurship studies rarely examine how strategic orientation affects the innovation and performance of businesses.

The concept of strategic orientation is gaining more attention since it was recognized as being the core element to success for many organizations. Gatignon and Xuereb (1997:78) postulated the definition of strategic orientation as "a firm's strategic direction in creating proper behaviors so as to achieve superior performance". Strategic orientation focuses on the way a firm adapts to and interacts with its external environments (Day, 1994; cited by Zhou and Li, 2010, Gatignon and Xuereb, 1997). Strategic Orientation has also been described as strategic fit, strategic predisposition, strategic thrust, and strategic choice (Manu and Sriram, 1996; cited by Morgan and Strong, 2003). Manu and Sriram (1996) strategic orientation simply refers to how an organization responds to changeable environmental factors. According to Noble et al. (2002), strategic orientation guides organizations to create strategies and marketing. The definition of strategic orientation by Gatignon and Xuereb (1997:78) has been adopted in this thesis. It states "a firm's strategic direction in creating proper behaviors so as to achieve superior performance".

Strategic orientation is now recognized as a core element of an organization's success and has been the subject of much academic research. Within existing literature authors have studied strategic orientations and have defined several sub-categories of orientation. Of these defined sub-categories entrepreneurial orientation, technology orientation and market orientation are purported to be particularly influential on the performance of a business (Covin and Slevin, 1989; Cano et al., 2004; Narver and Slater, 1990; Gatignon and Xuereb, 1997; Lumpkin and Dess, 1996; Wiklund, 1999).

Many researchers (Aloulou and Fayolle, 2005; Atuahene-Gima and Ko, 2001; Baker and Sinkula, 2009; Gatignon and Xuereb, 1997; Gao et al., 2007; Hakala, 2010; Hult et al., 2004; Jeong et al., 2006; Kaya and Seyrek, 2005; Li, 2005; Noble et al., 2002; Rhee et al., 2010; Salavou, 2005; Zhou et al., 2005) agree that strategic orientation affects business performances, but more in-depth research into the effects of orientation association as combined factors has not been carried out because strategic orientations were considered to be independent variables. Furthermore, the manner in which constructs and variables affect business performance has not been verified. These activities included different strategic orientations which indicated that different strategic orientations could coexist in businesses and affect the innovation and performance of businesses through interaction. However, existing studies have not

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