Introduction
Introduction

In this study, I investigate the impact of strategic orientation of the firm on its performance in both general context (across industry) (Essay 1) and specific context (Essay 2). The Indian banking industry is stringently regulated than global standards (RBI, 2015) and also one of the highly regulated industries of the country. Embeddedness of phenomenon in specific context provide richer insight about its interaction with the context, but this specificity comes at the cost of generalizability (Wang and Ahmed, 2015). Further, generalizability across industry would enhance the theory of organizational strategy, but it causes problem of comparability of measures of strategy when traversing from one industry to another (Ginsberg and Venkatraman, 1985; Rogers and Bamford, 2002). To mitigate this problem, Venkatraman’s (1989) strategic orientation, which is considered context independent measure (Venkatraman, 1989; Chan et al., 1997), has been adopted for measurement of strategic orientation of firms from different industries context. Thus, this study aims to investigate the impact of strategic behavior of firm on its performance in both specific as well as across industries context and difference in findings on this association in two situations.

Both studies have been conducted in natural setting of high institutional uncertainty. The uncertainty of the essay 1 has been mainly caused due to endogenous factors viz. implementation of new company act 2013, which incorporated some major changes viz. spending on corporate social responsibility, appointment of women director in Board, responsibility of independent and non-executive directors etc., with respect to old company act 1956. The context of essay 2 was characterized as uncertain due to exogenous (US subprime problem and European Union financial crisis) and various endogenous factors (upcoming elections, fiscal imprudence, retrospective changes in tax laws, rating downgrade fears, cancellation of telecom licenses/proceeding on cancellation of coal block licenses along with negatively reported indecisiveness in government). Under high uncertainty, adaptive
capability is used as a mechanism to quickly respond to environmental changes (causing uncertainty) to enhance performance (Griffith, 1999). Further, possession of organization slack by the firm depends upon its strategic behavior and this association is contingent upon environmental uncertainty (Meyer, 1982). The firms use slack to protect themselves from uncertainty or use it to grow to utilize opportunity provided by uncertainty (Penrose, 1959; Thompson, 1967; Pitelis, 2007). Thus, both adaptive capability and slack are used as coping mechanism by the firm under uncertain environment. Thus, I investigate whether strategic choices of managers influence adaptive capability and organizational slack in essay 1 and essay 2 respectively. Further, mediating role of adaptive capability on strategic orientation and firm performance is also examined in essay 1.

Both the studies share similarities as well as dissimilarities among them selves. The concept (strategic orientation; adaptive capability and slack) establishes the linkage of similarity between two. While context (general and specific) and methods (cross sectional and longitudinal; primary data/secondary data) employed make both the studies quite dissimilar.

1.1 Motivation

1.1.1 Motivation for Essay 1

This study has emphasized upon cross-industry investigation. The association of Venkatraman (1989)'s strategic orientation with firm performance has manly been investigated in developed economies context (e.g. Venkatraman, 1989; Morgan and strong, 2003). The firms of transition economies operate under high environmental uncertainty (Li et al. 2006; Meyer et al., 2009; Peng et al., 2004). Further, “institutional idiosyncrasies and contextual variation” around the emerging economies causes the main concern for the research of strategic management discipline (Xu and Meyer, 2013, p. 24). Thus, influence of
strategic orientation of firm on its performance makes sense for investigation in Indian context of emerging economies.

Extant literature suggests that strategic choices of the firm drive adaptive capability (Zhou and Li, 2010; Kaehler et al., 2014). In these studies, strategic orientation has been operationalized by Gatignon and Xuereb (1997)’s conceptualization of strategic orientation - customer orientation, technological orientation, competitor orientation. I have adopted Venkataraman’s (1989) strategic orientation for investigation of its relationship with adaptive capability.

Earlier scholars have recognized three dimensions of adaptive capabilities- marketing, technological, and organizational (e.g. Child, 1997), but few studies have only empirically investigated all these three dimensions of adaptive capability together (e.g. Tuominen et al., 2004). Additionally, adaptive capability concept also entails to be applied to the adaptation of firm to both market environment as well as non-market environment (Peng, 2002). This study considers all these four aspects of adaptive capability together for examination, which have scarcely been investigated together so far. Further, strategic choices of the firm drive the adaptive capability to enhance their firm performance. But, this mediating role of adaptive capability on strategic orientation- firm performance linkage has not been investigated.

New Company Act that includes some major changes vis a vis old Company Act (1956) viz mandatory spending on corporate social responsibility, appointment of women director, responsibility of independent and non-executive director has been implemented in 2013. This provides opportunity in form of natural experimentation setting to investigate whether the firms that quickly respond to environmental changes particularly involving policy changes are able to outperform their peers.
1.1.2 Motivation for Essay 2

In contrast to essay 1, this study is embedded in specific context of Indian banking industry. The Public sector and private sector banks (26 public sector banks and 20 private sector banks), within themselves, account for more than 80% of the USD 1.8 Trillion industry (2014) and is likely to emerge as the third largest banking industry in the world by 2025 (according to KPMG-CII report). The impact of US subprime problem transmitted to India in 2008-09 which increased the uncertainty in Indian banking industry. Combining with several endogenous and exogenous factors, this uncertainty continued to impact the Indian industry uptill 2014. The better performance of emerging economies than developed economies suggests the weakness of the ‘advanced ‘ institutions, hence experimentation with or development of indigenous approaches for solving problem of firms from emerging economies entails to be emphasized (Fligstein and Zhang 2011; Lin, 2011). The Indian banking regulator had played an ambidextrous role. At one end they have enforced the stringent regulatory system (Mundra, 2015) while at other end they have been accredited for promoting financial innovation in Indian banking industry (Economic Times, 2012). This natural research setting provides me the opportunity to investigate whether Indian public sector and private sector banks alter their strategic behavior to respond institutional uncertainty. Isomorphism in banking industry has been evidenced in context of developed economies (Porter, 1998; Barreto and Baden-Fuller, 2006). Hence, I investigate whether isomorphism exists in Indian Banking industry and high intuitional uncertainty exhibit enhanced isomorphism in their strategic behavior.

Some research scholars argue that privately owned enterprises (POEs) are superior performer than state owned enterprises (SOEs) (Shleifer, 1998; Goldeng et al., 2008). There are contrasting views about impact of environmental factors on strategic orientation- firm performance linkage (Miles and Snow, 1978; Smith et al., 1989; Hambrick, 1983; DeSarbo et
al., 2005). I join this debate by investigating the association of strategic orientation with firm performance. Further, impact of institutional uncertainty (Desabro et al., 2005) and ownership on strategic orientation – firm performance is less researched. Thus, moderating role of ownership and institutional uncertainty is also examined in this study.

1.2 Dissertation Structure

I have adopted three essay approach for my dissertation. The structure of each essay is briefly discussed as under:

1.2.1 Essay 1: An exploration into a mediating role of adaptive capability on strategic orientation-firm performance linkage

Essay 1 emphasizes upon conceptualization of strategic orientation and adaptive capability as a higher order construct of their multiple dimensions. The literature is explored to build the arguments for relationship among constructs of the model – strategic orientation, adaptive capability and firm performance; and the mediating role of adaptive capabilities. To investigate into the linkages among the constructs, data was collected from the firms across industries.

The measurement model was assessed by ascertaining the validity, reliability of the constructs. The assessment of structural model suggests the validation of conceptualized relationships.

1.2.2 Essay 2: Strategic orientation, slack and firm performance: A moderating role of institutional uncertainty and ownership

Essay 2 focuses upon investigation of role of institutional uncertainty as an antecedent of strategic orientation as well as the moderator on strategic orientation- firm performance and strategic orientation-organizational slack linkages. Firms, possessing different strategic orientation- prospectors and defenders, tend to engage/increase the innovative activities in high uncertainty environment though due to different reasons (Gilbert, 2005; Voss et al., 2008). The longitudinal research setting permits to examine the effect of institutional
uncertainty upon strategic behavior of the banks, thus entails examination of enhancement in isomorphism in strategic behavior of the banks.

Extant literature suggests that strategic behavior of firm drive firm performance (Yadong and Seung, 2001) and organizational slack (Penrose, 1959; Pitelis, 2007). Thus, causal linkages of strategic orientation with firm performance and organizational slack along with moderating role of institutional uncertainty and ownership on these linkages are examined.

1.2.3 Essay 3: A study of relative merits of strategic orientation from Venkatraman (1989) and Miles & Snow (1978) perspective

Strategic orientation is the main construct of my both empirical studies- essay 1 and essay 2. The essay 3 provides theoretical overview of strategic orientation with objective of finding out its appropriate operationalization for respective studies. The literature of the remaining constructs of models is reported in respective studies. The environmental factors are an important determinant for manager’s strategic choices. As discussed, my first essay is conducted in cross industry context whereas second essay is embedded in specific context. Comparability of measure of strategic orientation is considered problem for cross industry investigation. Thus, operationalization of strategic orientation construct, which is not context dependent, is entailed for cross-industry investigation. The various conceptualization of strategic orientation from the perspective of influence of the context on strategic orientation are explicated in essay 3.

The strategic orientation measures that are appropriate for essay 1 and essay 2- Venkatraman (1989)’ strategic orientation and Mile and Snow (1978) typology, have been discussed at length. The strategic orientation (Venkatraman, 1989) is significantly associated with firm performance in essay 1 while no significant different in performance of different strategies (Miles and Snow, 1978) have been found in essay 2. The relative merits of
strategic orientation from Miles and Snow (1978) typology and Venkatraman (1989) perspective have been discussed.
1.3 References


