CHAPTER NINE

SUMMARY AND CONCLUSION

9.1. Introduction

The goal of this research was to study the impact of strategic orientation on business performance in case of large-scale manufacturing firms in Ethiopia. The first chapter provided an overview of the study, chapter two deals with the review of related literature, the third chapter research hypothesis, chapter four discusses the methodology of the research, and chapter five discusses the overall results of the research. This chapter summarizes (1) summary of the results along with its discussions, (2) implications for practitioners (3) implications for researchers (4) limitations of the study and recommendations for future study.

9.2. Discussion of Results

This study was designed to understand the impacts of strategic orientations on business performance. That is, the aim of this study was to know the joint influence of market orientation, entrepreneurial orientation and innovation orientation on business performance of the firm. A review of related literature leads us to the development of four main hypothesis and eight sub-hypotheses. The result has fully supported H2 and H3 while it partially supported H1 and H4. The result for hypothesis H1 and its sub-hypothesis is revealed in Table 5.5 & 5.7. The result for the second hypothesis H2 and its subsequent hypotheses are revealed in Table 6.13 & 6.17. The result of the third hypothesis H3 is displayed in Table 7.5 & 7.9. Finally, the result that shows the finding for H4 is in Table 8.5.
<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Finding</th>
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<tbody>
<tr>
<td><strong>H1</strong> Market orientation has a positive and strong impact on the performance of a firm.</td>
<td>Partially supported</td>
</tr>
<tr>
<td><strong>H1a</strong>: Competitor orientation has a positive and strong impact on company performance.</td>
<td>Not supported</td>
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<tr>
<td><strong>H1b</strong>: Customer orientation has a positive and strong impact on company performance.</td>
<td>Supported</td>
</tr>
<tr>
<td><strong>H1c</strong>: Interfunctional orientation has a positive and strong impact on company performance.</td>
<td>Not supported</td>
</tr>
<tr>
<td><strong>H2</strong>: Entrepreneurial orientation has a positive and strong impact on the performance of a firm.</td>
<td>Supported</td>
</tr>
<tr>
<td><strong>H2a</strong>: Innovativeness has a positive and significant effect on firm performance.</td>
<td>Not supported</td>
</tr>
<tr>
<td><strong>H2b</strong>: Risk taking has a positive and significant impact on firm performance.</td>
<td>Removed from analysis</td>
</tr>
<tr>
<td><strong>H2c</strong>: A firm’s proactiveness has a positive and significant impact on firm performance.</td>
<td>Supported</td>
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<tr>
<td><strong>H2d</strong>: A firm’s competitive aggressiveness will have a positive and significant impact on firm performance</td>
<td>Partially supported</td>
</tr>
<tr>
<td><strong>H2e</strong>: A firm’s autonomy will have a positive and significant impact on firm performance</td>
<td>Supported</td>
</tr>
<tr>
<td><strong>H3</strong>: Innovation orientation will have a positive and strong impact on company’s performance</td>
<td>Supported</td>
</tr>
<tr>
<td><strong>H4</strong>: Firm’s strategic orientation will have a positive and significant impact on business performance.</td>
<td>Partially supported</td>
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In addition to analyzing the relationship and impact of the independent variables on the dependent variables, the research finding also discusses the impact of control variables on the performance of a firm. More specifically,

- Firm age has a negative and significant impact on business performance. That is, in all cases of the relationship between strategic orientation variables and firm performance though we can see a positive relationship among these variables, firm age adversely affect the performance of the firm.
- Firm size in some cases does have a positive and significant impact on some measures of business performance. However, in most cases, there is no relationship or even their relationship is not significant.

The study has also found the interaction effects of the strategic variables on business performance. The effects are analyzed in two levels. Two-way interactions where two of the independent variables interact in influencing business performance at a time for the three variables, and three-way interactions where all the three variables simultaneously interact to influence the performance.

This study is focuses on identifying the impact of strategic orientation on business performance. That is, it focuses on identifying the joint impacts of market orientation, entrepreneurial orientation and innovation orientation on business performance. Additionally, the study has also identified the individual impacts of these strategic variables on firm performance. With respect to market orientation, though prior studies (Cano, Carrillat and Jaramillo, 2004; Haugland, Myrteit and Nygaard, 2007; Jaworski and Kohli, 1993; Kara et al, 2005; Kumar, Subramanian and Yauger, 1998; Narver and Slater, 1990; Olavarrieta and Friedmann, 2008; Slater and Narver, 2000; Subramanian and Gopalakrishna, 2001) have been identified positive relationships and significant impacts between market orientation and business performance, the current study has found only positive correlations. The impact of market orientation on business performance is not significant in aggregate.
form. However, from the dimensions of market orientation, customer orientation has a positive and significant impact on business performance.

More specifically, customer orientation has a positive effect on the relationship between market orientation and business profit. Customer orientation assists the firm acquire a large part of the market's technical matters and delivers an assessment of probable sectors, the significance of the market, and its growth rate (Deshpande, Farley, and Webster, 1993). Customer orientation does have also a positive and significant impact on both business efficiency and the overall performance of the firm. However, the control variables have an impact on profit growth of the firm where firm size positively impact the profit performance and firm age affects it negatively. In either case firm age does have a negative and significant influence on the dependent variables.

With regard to entrepreneurial orientation, the findings are of mixed results. Entrepreneurial autonomy and entrepreneurial proactiveness have a positive and significant impact on all measures of business performance. However, entrepreneurial innovativeness and entrepreneurial aggressiveness do have mixed impacts on business performances. That is, entrepreneurial aggressiveness independently has a positive and significant impact on business profit and business growth. However, though we hypothesize to have a positive and significant relationship with business performance, these variables collectively do have a negative and significant impact on business efficiency; but there is no significant impact on business profit, business growth and business performance in general.

This will lead us to the conclusion that firms operating in Ethiopia can boost their performance by focusing on autonomous decision-making system and proactively seizing the available opportunities surrounding them. It is also important to note that entrepreneurial aggressiveness can influence the business profit and business growth of the firm if considered independently. Additionally, the emphasis of looking forward and dealing with market opportunities lead the firm to take initiatives and act optimally in the market
Where it helps the firm to promote innovative capabilities by taking advantage of emerging market opportunities and by targeting better market segments (Lumpkin and Dess, 1996), which will consequently benefit its new product commercialization. These first movers earn monopoly rents, accrue correspondingly higher profits, and deliver superior financial performance (Lumpkin and Dess 1996; Wang 2008). In contrast, entrepreneurial proclivity towards competitive aggressiveness and innovativeness can adversely affect the performances of these manufacturing firms and those organizational managers should try to focus on ways to reverse the effect so that their company can make profit out of such actions. That is, entrepreneurially oriented firm should propose its strategies independent of each other. Moreover, as the age of the firm increases the business performance of the sector decreases while an increase in the number of workers in the firm positively and significantly improves business performance.

Concerning innovation orientation in line with prior studies, there is a positive and significant impact on business performance. Innovation orientation has a positive and significant impact on business profit. It also positively and significantly influences business efficiency. Additionally, the impact of innovation orientation on business growth is positive and significant as theorized. In general, the impact of innovation orientation on business performance is consistently the same for all measures of business performance on the dimensional basis or in an aggregate form. That is, innovation orientation has a positive and significant influence on business profit, business efficiency, business growth and on the overall aggregated average of the business performance of a firm.

After analyzing the impact of these strategic variables at a dimensional level, the next step was to analyze the joint influence of these variables on business performance. The reason is that we hypothesized to see the joint impact of the three variables as unified strategic orientation variables or as a resource based view. That is, other than separately viewing the performance of firm that results
from market orientation, entrepreneurial orientation or innovation orientation, it is then better to view these variables as organizational resources. Accordingly, the result of the analysis revealed that business performance of large-scale manufacturing firms in Ethiopia is mainly resulted from innovation orientations. These three variables do not have a significant impact on business performance as initially proposed. The impacts of these variables are not in the same direction as they are separately affecting business performance.

To sum up, the finding from the analysis of the impact of strategic orientation as a resource based view, (more specifically the joint effect of market orientation, entrepreneurial orientation, and innovation orientation) on business performance (measured with profit, efficiency and growth) has mixed results. The result revealed that innovation orientation has a consistent and significant influence on business performance in all cases. The influence of innovation orientation on these performance measures is positive and significant at a 0.01 level of significance. Contrary to this, market orientation as a higher-level construct has a lesser role to influence the business performance of firms in all measures. This tells us that business performance of firms operating large-scale manufacturing sector in Ethiopia is not market focused or their performance outcome is not because of market orientation. Added to this, the impact of entrepreneurial orientation on influencing business performance is also at its minimal level. Though we expect to have a positive and significant impact of entrepreneurial orientation on business performance, the result turns out to be either zero or negative relationship. That is, as a resource-based view, entrepreneurial orientation has a negative and significant impact on business efficiency at a 0.01 level.

In general, as the relationship between the proposed strategic variables and business performance is of mixed result while we expect to have a positive and significant impact, it is then necessary to analyze further by introducing the interaction among these variables. That is, the hypothesized relationship between market orientation and entrepreneurial orientation with business
performance become insignificant to predict it thus calling for further analysis. Thus based on the analysis, the interaction between the independent variables affects business performance in two ways. First, the two-way interaction between the independent variables adversely influences business performance. That is, in each case the influence of these interactions is negative and is significant to determine firm performance. Additionally, because of two-way interaction, entrepreneurial orientation becomes significant to influence business performance where it was not otherwise and yet negative. Secondly, a three-way interaction has a positive and significant impact on business performance. Moreover, the interaction among the three variables positively affects profit growth and business growth of large-scale firms operating in the manufacturing sector. Finally, the analysis gives us a chance to conclude that market orientation does not have any significant impact on the performance of a firm either independently or jointly with other variables.

### 9.3. Implications for Practitioners

The result of this study has several vital implications for practitioners.

First, in today’s competitive environment business organizations do have a multiple of factors that affect their business performances. Hence, managers of these companies are frequently trying to master their strategic decision-making based on several factors. Mostly these practitioners’ focuses on catching the eyes of their customers so that they can win competition through customer based marketing. Yet others try to focus on following their major competitor and making money at the cost of these competitors by imitating their processes or even their top brands. However, managers of such companies fail to attain some of their objectives because they focus on what others do than analyzing their business environments so that they can strategically act upon it. The result of this study also reveals this truth showing that there is the poor impact of market orientation to influence business performance in general. Unless strategic decision makers wisely audit their competitor, they have nothing to profit out of competitor orientation. That is, competitor orientation works only when there are
coordinated activities across departments than each department work on their assigned tasks. Thus, practitioners in the field of strategic management must focus on how to win completion and get a return out of it. Top-level managers should then know what most influences their current customers and try to coordinate each activity that can contribute to business performance.

Second, practitioners in the field of strategic management should also know the importance of entrepreneurial decision-making while developing their strategy. The finding of this study revealed mixed results of entrepreneurial orientation's impact on business performance. Firms in this sector, particularly in Ethiopia, have a moderate proclivity towards entrepreneurial proactiveness and autonomous decision making to influence business profit in any dimensions. Thus, they must improve the magnitude of their entrepreneurial inclination or alter their business strategy so that they greatly outrun their major competitors. Moreover, managers of this sector should revise the way they decide on innovative activities and the way they act on winning the competition as the result of the finding shows negative relationships though it is not significant. Overall, it is important to focus on all dimensions of entrepreneurial orientations in order to influence performance. The reason is that Miller (1983)\(^9\) has viewed entrepreneurial orientation as the intersection of or as a shared variance among the dimensions making up it. In the absence of covariation among innovativeness, risk taking, and proactiveness the presence of an entrepreneurial orientation, according to Miller's conceptualization, should not be claimed (Covin and Wales, 2011)\(^2\) including autonomy and competitive aggressiveness.

Third, in today’s rapid and dynamic business environment the role of innovation is greater. With this, the result of the current study revealed that large-scale manufacturing firms have shown a better orientation towards innovation. Business strategists in this area can then keep the pace of their strategic orientation towards innovation and improve their orientation towards the market and entrepreneurial activities as there are discrepancies on these two strategic
variables only if they are considering a resource-based view of strategic management.

Finally, managers pursuing a resource-based view as a strategic management model should note the joint influence of strategic variables influencing business performance. Jointly these variables do not have the expected impact on business performance. Because there is an interaction between them that put down the performance of the firm as managers try to implement all at the same time. In such cases, rather than the individual influence of these strategic variables, their interaction has a positive impact on the performance of a firm. That means there is inter dependence among the variables in determining a firm performance. Moreover, in addition to strategic variables that affect business performance, it is important to note the influences that come from firm age. Firm age adversely influence the performance of large-scale manufacturing firms in Ethiopia. This could be attributable to the establishment of each firm, as they are almost young businesses. Thus, strategists should design a new method that can improve or positively adds to business performance of their company as the age of firms increase.

9.4. Implication for Researchers

First, the study provides inference made from a valid and reliable instruments developed in prior studies that are adapted for current studies in a new context aiming at analyzing the impact of strategic orientation that is, market orientation, entrepreneurial orientation, and innovation orientation on business performance. Though there are extant researches in the previous period, their focus was studying the relationship or the impact of these variables with/on the dependent one. That is, they have been studying such relation by considering each variable as strategic variables that determine firm performance. Moreover, their study setting was in the more affluent countries than focusing on less developing markets. Thus, the current study has combined these variables in a resource-based view to identify their joint influence on business performance in large-scale manufacturing firms of Ethiopia.
Second, in addition to the resource-based view of strategy analysis, the study has also discussed the influence of each strategic variable on performance of a firm. Where each of the variables are analyzed with respect to their influence on business performance yielding mixed results. That is, as contrary to theoretical framework market orientation has failed to support the hypothesis lending itself for further study. Additionally, entrepreneurial orientation, separately, has a significant role in determining business performance than in combination with other strategic variables where its role decreases as we introduce innovation orientation into the model. However, innovation orientation does have an important role either individually or in combination with the two strategic variables in improving business performance. Thus, this will provide researchers with a quick insight into either how to deal with analysis of business performance with the help of these strategic variables jointly or considering each variable as individual factors that influence business performance.

Finally, the study provides a research framework that provides a vital link between strategic orientations and business performance. With the current framework, researchers can further study the impact of strategic orientation on business performance in any context, as the model is valid to predict the implied relationships.

9.5. Limitations and Future Researches

While the results of this research indicate that there are insights into the impact of strategic orientations on business performance in large-scale manufacturing firms of Ethiopia, there are limitations associated to this research.

First, the study is limited to large-scale manufacturing firms. Though all manufacturing industries are included in the study, the current study has included firms operating in the central part of a country, especially in the industrial zones surrounding Addis Ababa a capital city of Ethiopia. Thus, firms that are more than 100 km away from Addis Ababa were not included in the
study where this could increase the level of generalizability for the current research had they been included.

Second, respondents are high-level executives from general managers or marketing managers that may lead them to have limited knowledge of the extent to which firms are satisfied with all measures of business performance as the instrument we employed is a self-reported performance measures, especially if the respondent is a marketing executive. Thus, instead of giving the exact approximation of a financial position of a firm, managers from marketing department may provide biased responses that create difficulty to conclude for larger populations.

Third, as the current study focuses on large-scale manufacturing firms in a central part of the country, it ignores small and medium scale manufacturing firms in this area. Moreover, manufacturing firms outside this diameter and firms in other sectors (for example, firms in the service sector) are not included in the study. Yet these can limit generalizability of the finding across the country.

Above all, this study has employed a resource-based view of strategy analysis where it included three strategic orientation variables into the model to know their combined effect on business performance. However, due to an overlapping role of these variables we obtained unexpected results. Thus, future researches can study the strategic inclination of the firm by considering a pair of these variables at a time. Even, they can replicate the model in other sectors for better generalization of the results as the current model is proved for its validity.

9.6. Conclusion

The purpose of this study was to analyze the impact of strategic orientation on business performance in case of Ethiopian large-scale manufacturing firms. The research has also studied the impact of each strategy variables on business performance of a firm. Additionally, the interaction between the strategic orientation variables on business performance was analyzed.
The analysis of the data in either case is using SPSS 20.0 and AMOS 21.0 SEM modeling where there is a reasonable model fit indices in all steps of analysis. The result of the finding revealed that out of the three dimensions of market orientation, customer orientation is found to be a significant determinant of all measures of business performance while entrepreneurial autonomy and proactiveness are consistently have a positive contribution to business performance. Innovation orientation has also a positive significant contribution to business performance. There are also discussions pertaining to the interaction effects of these variables.

The research design and finding of this research has tried to make a contribution to the literatures in the area of strategic orientations and business performance. Researchers will benefit from the designs outlined here, as there are limited studies in the field of strategic management, particularly in developing nations like Ethiopia or Sub-Saharan African countries in general. Moreover, practitioners in the field of strategic orientation from large-scale manufacturing firms can make use of the finding of this research for their desire of winning competition strategically that can put them to achieve an economic upper hand.
Chapter Reference


