Strategic Orientation As a Source of Competitive Advantage for the Small Firm

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Thesis Summary

Small firms are at a disadvantage in many ways as compared to the large firms, because of their size. Yet, the small firm can also derive competitive advantage over its rivals, small or large. A strategically oriented small firm can meet the competitive forces successfully. The present study attempts to examine the nature of strategic orientation in the owner-manager, and its relationship with organizational performance in the context of the small firm. It is hypothesized that firms with strategically oriented owner-manager would show superior performance as compared to those firms where the owner-manager is less strategically oriented. For the purpose of the present study, a firm can be said to have a strategic-orientation if (a) it recognizes the linkages between strategy and competitive advantage, (b) it follows the logical leads suggested by these linkages, and (c) these linkages are used to develop and shape further strategies and action plans. It is also hypothesized in the present study that the relationship between strategic orientation and firm performance will be moderated by environmental complexity, organizational structural complexity and managerial characteristics like Basic Assumptions, Self-Efficacy, and demographic factors.

For the present study, data was obtained from 98 owner-managers of small firms belonging to 3 industry groups, namely, manufacturing firms, stone cutting and polishing firms, and marine products processing firms. The main independent variable, strategic orientation, was measured by administering a 21 item 7-point scale to the owner-managers. In addition, a detailed interview schedule was also utilized to get in-depth understanding of the nature of strategic orientation among the owner-managers. Levels of environmental complexity and organizational structural complexity were assessed by observing the various forces impinging upon the industries and the internal structures and processes within the firms. For measuring Basic Assumption and Self-Efficacy, standard scales were employed. The dependent variable, firm performance, was measured employing 10 financial indicators that reflect the general profitability and overall health of the firm.

The data was subjected to rigorous statistical analysis using multivariate and univariate techniques. Results confirmed that strategic orientation of the owner-manager has a significant

effect on firm performance. In all the 3 industry groups, it was found that firms showing superior financial performance also had owner-managers having a high degree of strategic orientation. The effect of moderator variables was also observed. It is concluded that small firms will be able to withstand and do well in the face of competition by engaging in a strategic posture which will come from the strategic orientation of the owner-manager.