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Explorations of Strategic Orientation (SO) Dimensions on Small Firm Growth and the Challenge of Resources

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Abstract
The strategy-firm growth relationship has been a problematical one for researchers in spite of the significant conceptual, empirical, and theoretical contributions made in this area. While strategy as a broad term signals the maximization of available inputs for a firm, it is the distinctive choices that are available within strategy formulation, termed as Strategic Orientation (SO) by Venkatraman, that has elicited little consensus. The six dimensions of SO construct, as conceptualized by Venkatraman (1989), are analysis, pro-activeness, riskiness, aggressiveness, futurity, and defensiveness. This paper argues that it is the specific SO dimensions or their combinations that contribute to small firm growth depending upon their context rather than the either or approach advanced by Miles & Snow (1978) & Porter (1980) in their strategy type framework. Increasingly, researchers have stressed the need to integrate SO and Resource Based View (RBV) as the choice of resources is an important pre-requisite for small firm growth. At the same time, small firms are resource constrained and SO is a resource consuming orientation which leaves us with the questions: how do resources impact choice of strategy dimensions in small firms? What would enable small firms to create an effective combination of choice of strategy and resources?
Key-Words: Strategic Orientation; Small Firm Growth; Resources; Strategy Choice

1. Introduction

The issue of firm growth has always been a highly discussed area in strategy research. While extant literature has always zeroed in on the question; why some firms succeed while others don't (Barnett and Burgelman, 1996; Schendel, 1990) despite having similar origins and resource availability (Tuck and Hamilton, 1993), many researchers have tended to answer this question from the point of view of the role played by strategy in determining the differential outcomes of firm growth but the arguments have been diverse and agreements rather scarce (Parnell, 1997). The divisive nature of the arguments harks back, by and large, to the classificatory approach to strategy measurement and conceptualization. It is either Porter's (1980), low cost, differentiation or focus typology, or the Miles & Snow (1978) prospector, analyzer, reactor or defender typology that have been taken up by most studies to understand the strategy equation and resultant firm growth.

The difficulty that emerges in adopting these strategic approaches is that one approach has to be favored over the other, whereas the strategy-firm growth relationship may deserve a more critically rich and inclusive paradigm involving different juxtapositions of strategy that may contribute to firm growth. Strategy, whether as maximization or sustaining act, can be seen to unite both purpose and decision-making for an organization and in this sense it can be said to exert a significant influence on firm growth. It is from this premise that some researchers have sought to examine the connection between different strategy-making aspects and firm growth predominantly by tracing the impact of the SO (strategic orientation) construct i.e. pro-activeness, risk-taking, aggressiveness, futurity, analysis and defensiveness on firm growth. The big draw of this approach emerges from the logic that the different dimensions of SO offer more inclusive and better exploration of strategy-making than the exclusive approach of strategy modes adopted by Miles & Snow (1978) and Porter (1980). Moreover, the SO dimensions engage both the entrepreneurial approach to strategy-making through the dimensions of pro-activeness, futurity, riskiness and aggressiveness as well as the conservative approach to strategy-making through the dimensions of analysis and defensiveness. This inherent plurality of the SO construct enables a more comprehensive evaluation of strategy formulation which in earlier studies saw a selective handling where one mode/ type of strategy-making is identified as contributing to firm growth in separation from others.

At the same time, SO cannot be understood in isolation from resource capability of a firm since SO as goal or outcome orientation is inevitably subject to resource context even as it strives to overcome or improve on conditions by strategic means. In this, there is a tendency in literature to deal with the firm growth issue either through the choice of firm strategies or through the availability of resources which has led to rather inconclusive answers. Eisenhardt and Schoonhoven (1990) suggest that firm growth is a function of both strategy and resources.

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This view gains further purchase particularly when applied to small firms. According to Knight (2000), small firms with their relatively limited resources have to bank heavily on their strategies to survive or to outperform their competitors and such firms need to be cautious about the limited availability of resources and hence use them judiciously.

Keeping in mind the ambivalent findings and lack of consensus regarding what contributes to firm growth, this paper engages in a conceptual exploration of how entrepreneurial or conservative modes of strategy-making, as manifest through its various dimensions, contribute to firm growth and the influence of individual dimensions of SO on the growth of small firms.

1.1 Understanding SO: Revisiting Conceptual paradigms

Existing literature has analyzed firm strategy from various aspects and the overall tendency has been to regard strategy as the critical pathway for a firm to etch out its value position that creates competitive advantage and ensures growth. Significant scholarly attention has gone into examining the nature of the strategy process (Van de Ven, 1992). Specific circumstances under which process or content initiatives occur have been taken up by research on context (Hartman et al., 1995). The way strategy takes shape in a firm has been characterized in various ways and the concept of *strategic orientation* has served as an overarching construct (Manu & Sriram, 1996). Strategic orientation has been examined in literature from three approaches or paradigms: narrative, classificatory and comparative. The thrust of the narrative approach has been to understand SO as a holistic phenomenon that is peculiar to the event, situation and organization (Czarniawska, 1998). Its purview is qualitative in defining the unfolding of strategy through case study approach. The difficulty that arises is that narrative approach does not yield active measures of variables that can be evaluated through calibrated scales (Ginsberg & Venkatraman, 1985). The classificatory approach has sought to categorize firms according to certain typologies (Miles & Snow, 1978; Porter, 1980; Wright et al., 1995). Although this methodology does not suffer from measuring difficulties evidenced in the narrative paradigm, the typologies advanced can best be applied to intergroup comparisons and cannot be carried over to intragroup analysis (Speed, 1993). The comparative approach looks at strategy as a multi-dimensional construct and evaluates it through multiple dimensions or traits that are common to all firms. In this case, strategy reveals itself in terms of the relative emphasis a firm puts along each strategic orientation dimension. Venkatraman's (1989) analysis of the six dimensions of strategic orientation through the dimensions of aggressiveness, analysis, defensiveness, futurity, pro-activeness and riskiness has rendered significant grounding not only to the comparative approach, but also to the SO construct and its critical connect with firm growth. Gatignon and Xuereb (1997) defined strategic orientation as the strategic direction taken by a firm to create the right behavior for achieving superior business performance on a continuous basis. Very importantly, more recent studies on SO have emphasized the relationship of SO and firm growth as much more complexly nuanced and discourage a finding of simple complementarities (Lumpkin, GT & Dess 1996). Grinstein's (2008) work hits home in this respect in articulating the importance of SO as a combination of dimensions that has an impact on firm growth.

Interestingly, in all these theoretical explorations of SO in literature, what remains under-theorized is the question of resources. What is the nature of connect between strategic orientation and firm resource factors? Is it strategy that carves out advantage for a firm or is it the availability and value of resources that makes the difference? The resource-based view (RBV) has sought to understand firm potential through its resources. The belief here is that critical elements of strategic change and creation of long-term value for a firm are its resources (Rumelt, 1987). Barney (1991) further strengthens this through his theorization of competitive advantage for a firm which is contingent upon its implementation of a value creation strategy that is not being brought into action by its current and potential competitors.

The questions on SO, resources and firm growth become actually troubling in the context of emerging economies, where the transition to a market driven economy from a centrally planned one is recent and fraught with challenges like limited capital markets, under-educated and skill deficient labor market, and limited resource capability. Most firms in these economies face resource constraints and gaining and sustaining competitive advantage is a big challenge.

Keeping in mind the importance of dimensions of strategy and their role in firm growth and the role played by resources in encouraging these strategy dimensions and their respective influence on firm growth, this paper attempts to point up the questions of how resources and strategies have to be positioned together to understand strategic effectiveness and firm growth.

1.1.1 Dimensions of Strategic Orientation (SO)

Futurity: This can be defined as the belief embedded in strategy, the way strategy is firmly grounded in the notion of reaching an envisioned future state through desired firm growth (Ansoff, 1975; Grant and King, 1982). It is the extent of importance of futurity that defines this dimension of strategic orientation construct. In the context of dynamic environment involving rapid change, this trait can enable a firm to acquire competitive edge in the market. This aspect of strategy recalls Boyd's (1991) observation on long-range planning that enables a firm to better perform over those who don't manifest this behavior. Futurity applies particularly in areas pertaining to forecasting sales, customer preferences and environmental trends.

Proactiveness: This reflects a firm's keenness for exploiting emerging opportunities, experimenting with change, and initiating first-mover actions (Dess et al., 1997; Lynn et al., 1996). This is an action-oriented approach and is associated with competitive superiority due to the 'step-ahead' tactics pursued by firms with this particular strategic behavior (Gatignon and Xuereb, 1997). Proactiveness explains the readiness exhibited by a firm in entering new markets, introducing new products, brands before competition arrives and similarly in eliminating operations that have reached their optimum level or are on the verge of decline in their life cycle.

Riskiness: This trait clarifies decisions by firms that could incur potential losses or gains for them (Clark and Montgomery, 1996a). This can play an important role in decisions on resource allocation and product-market choices a firm makes. Miller and Friesen (1982) depict risk taking as an organization-level approach. This is a calculated behavior displayed by firms on the basis of their analysis and risk-taking appetite in order to target growth and this calls for decisions involving substantial financial and human resource investments. Very importantly, firm behavior in this particular instance, combines also an entrepreneurial approach towards risk-taking in relation to opportunities that surface (Baird and Thomas, 1990). According to March (1991), this is more of an exercise in exploration and exploitation in organizational learning as a firm strives to push its boundaries of risk and shake itself free of time-honored rules. This spirit of creativity and rule breaking through riskiness can become critical inputs in leveraging business growth. Thus, where traits of riskiness are evident within a firm's strategic orientation, firm growth level may be notably high (Bettis and Hall, 1982).

Aggressiveness – This is a posture that is adopted by firms while allocating resources meant for aggressive strategies to counter their rivals in generating firm growth (Covin and Slevin, 1991; Zahra, 1993). These may take the form of product innovations and/ or market development to capture market share or to take it away from competitors (Miles and Cameron, 1982) and may involve substantial investments to improve competitive position and market share. This aspect of strategic orientation insists on exploiting and developing resources in a quicker manner ahead of competitors or in response to their strategies (Clark and Montgomery, 1996a). Aggressiveness signals a clear mindset oriented towards market share development through fighting competition in an aggressive manner.

Analysis: This trait behavior refers to a firm's knowledge building capacity (Bourgeois, 1980) and ability to enhance organizational learning (Cohen and Sproull, 1996). This orientation indicates the problem-solving approach derived by a firm from its understanding of both external and internal environments (Miller and Friesen, 1984). This trait signals a firm's tendency to go in-depth into problems to generate the best possible alternatives and is considered to be an important characteristic of the organizational decision-making (Miller and Friesen, 1982). Further, this particular dimension of SO also indicates the level of internal consistency that is achieved in overall resource allocation for achieving target objectives for the firm (Grant and King, 1982). The whole aspect of this orientation bears close resemblance to the idea of rational comprehensive processes (Frederickson and Mitchell, 1984), wherein the observed phenomenon is that of analytical activities and systems relating positively with firm performance (Eisenhardt, 1989b).

Defensiveness: This trait helps in understanding the defensive behavior displayed by firms (Miles and Snow, 1978), which becomes manifest through approaches such as cost reduction and efficiency seeking. In this kind of an orientation, a firm does not privilege development beyond the defense of its domain (Miles and Cameron, 1982) or core technology (Thompson, 1967). This trait reflects high degree of strategy specialization (Child, 1974) and nurtures the belief that expertise honed in a specialized area leads to higher performance (Venkatraman, 1989). Firms exhibiting this orientation can secure capabilities and skills that develop comprehensive strategies which give them advantage over firms that are less specialized or domain-focused (Hart and Banbury, 1994).

1.1.2 The SO Contribution and Context of Resource

What is evident here is that individual SO dimensions influence growth in different stages of firm life cycle and that both entrepreneurial as well as conservative mode of strategic behavior, through its various dimensions, have strong place in the complement of strategic orientation construct. Again though these different dimensions in various combinations may contribute to firm growth at different stages of firm life-cycle under different circumstances, but their contributions appear obvious. SO being a multidimensional construct, it is not necessary that all SO dimensions contribute to firm growth at a given point of time. Also firms can adopt both the entrepreneurial and conservative modes of strategic orientation at various points of time in firm life-cycle as per their requirements, to access firm growth.

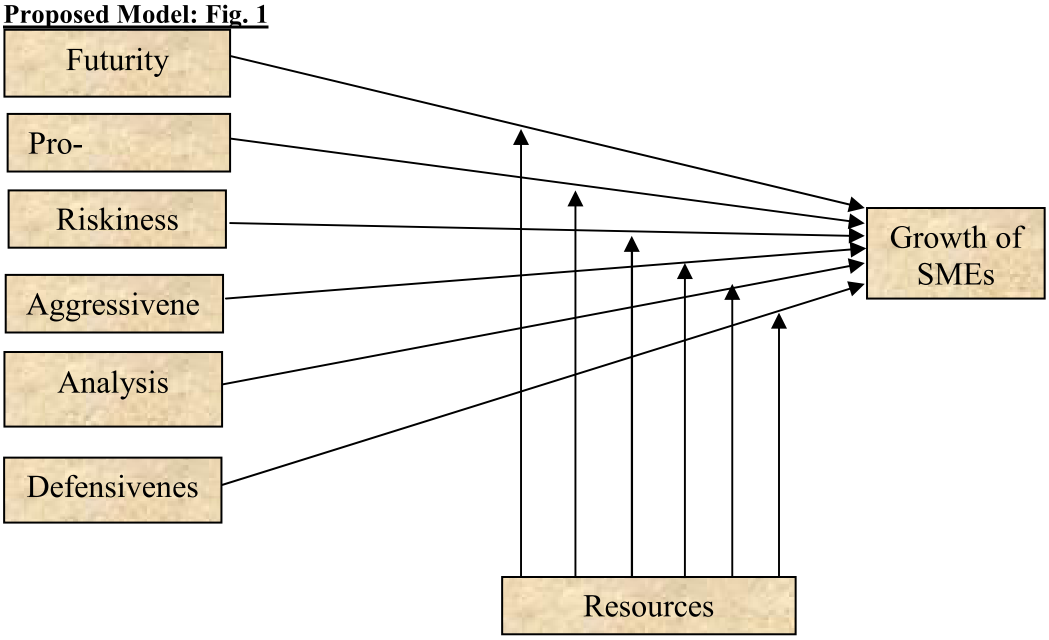
Wiklund (1999) reported that availability of financial, knowledge and human resources was associated with firm growth, and found that resource availability was one of the predictor of firm growth. Resources provide the firm strategies the necessary cushion to exercise various aspects of their strategies and thus moderate the relationship between the individual dimensions of SO and firm growth. The difficulty with regard to SMEs is that there is no agreement on the appropriate measure to determine small firm performance (Day & Wensley, 1988). Research on small firms predisposes a researcher to choose subjective measures since objective financial measures on SMEs performance are private matter of owners. Many researchers advocate growth as the most appropriate performance measure in small firms (Brown, 1996). Many suggest that sales growth is the best growth measure since it reflects both short and long-term changes in the firm. Employment growth is another important aspect of growth reflected in large number of studies that focusing primarily on firm growth (Delmar, 1996).

Though neither entrepreneurial or conservative strategies are inherently appropriate or less appropriate, but in the context of small firms that are usually resource constrained, the choice of entrepreneurial or conservative strategy modes may give out strong clues to firm growth. It will be equally important to trace the moderating influence of resources on the relationship between individual dimensions of SO and SME growth as to how it varies in strength, direction and significance. There is a need to problematise the existing approach towards the uniform adoption of SO as a comprehensive construct – its relation to growth in small firms needs to be re-examined. Close analyses of the SO construct and how various dimensions in different combinations can affect growth in small firms will enable more accurate understanding about strategy choices in these firms. If it is the specific sub-set of SO dimensions, which contribute positively in a firm's growth rather than all dimensions, energies can be focused only on those dimensions rather than putting efforts on the entire SO Construct. There is an additional benefit coming out of this – since small firms are usually resource constrained – they will be able to focus in a better manner on the sub-set of relevant SO dimensions and better utilize the limited resources at their disposal. This paper proposes the following model that can better explain the role of different strategies and availability of resources and the effective utilization of both leading to firm growth (Figure 1).

1.1.3 Limitation & Implications for Future Research

This paper is a beginning of a larger project to study the role played by resources to emphasize whether it is the entrepreneurial or conservative dimensions of strategic orientation that lead to small firm growth especially in emerging economies. The proposed model can help in identifying what specifically is the role of resources as a moderating variable that can act as triggers of strategy enabling growth. Future research can examine whether some of these dimensions are always present, and some dimensions may vary depending upon the context of the firms.

Proposed Model: Fig. 1



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