

Entrepreneurial Orientation, Strategic Orientation And Performance Relationship: A Case Study For Textile Firms In Istanbul

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Extensive Summary

Introduction

Analyses of companies' strategy formation and application processes have been the fundamentals of strategic management studies for many years. Strategy affects and guides companies' daily operations. Strategy, at the same time, is closely associated with improving the companies' ability to adapt environmental changes. This condition, therefore, constitutes a basis for long term company success (Miller and Frisen, 1983a:221-235; Papatya, 2007:3; Sinkovics and Roath, 2004:43-64). Modern company strategy focuses on the outcome that companies can get with sustainable competitive advantage using and obtaining unique sources and abilities, which cannot be imitated by their competitors (Barney, 1991:99-120; Hunt and Lambe, 2000:17-43). Common point of successful companies in competition is to have certain values and common targets beyond the strategies and applications that they created according to changing conditions (Papatya, 2007:121).

In this point, strategic orientation and entrepreneurial orientation that create a connection between strategy and company culture is a long term process which allows to establish a company behavior that focuses on the company's employees' values and believes in order to create a sustainable competitive advantage (Day and Wensley, 1983:79-89; Gatignon and Xuereb, 1997:77-90; Zhou et al., 2005:42-60).

Researching potential effects of strategic orientation and entrepreneurial orientation with various performance criteria by being considered as the success of reaching the established targets and strategy in various areas in marketing and business administration has been a study subject for many studies, moreover, increasing performance of the company creates the basis of strategic management and marketing (Gatignon and Xuereb, 1997:77-90; Hult et al., 2003:401-426; Slater and Narver, 1993:33-51; Venkatraman, 1989:942-962).

From this point of view, in this study, it is determined whether entrepreneurial orientation and strategic orientation has effects on company performance, or not. In the

study, (a) relationship between concepts were analyzed in terms of theoretical aspects; (b) in the following section, the findings that were found in the field study that was conducted in association with the study subject were presented.

Method

Main population of the research was composed of middle and large textile companies that performed in Istanbul City. An empirical study was conducted depending on the list of textile companies in different regions and counties of Istanbul City. Depending on the obtained list, the number of middle and large textile companies was determined as 1144. 952 of them were determined as middle production company while 192 of them were determined as large production company. In other words, nearly 83% of the population (952/1144) was middle textile company while 17% of them (192/1144) were large textile company. A questionnaire methods was used with a sample of the population as reaching each of the companies in the population would be too costly and time consuming. From sampling methods, stratified sampling method was used in the study.

Sampling size was established as 287 in the study. However, sampling size was increased to 400 to have more consistent and effective results. An empirical study was conducted with 68 large textile companies as it corresponded to 17% of the sample size and 332 middle textile companies as it corresponded to 83% of the sample size. Face to face interviews were organized with interviewers as obtaining appointments from them and making a list of addresses and telephone numbers of textile companies which were located in different counties in Istanbul.

Same kind of measurement methods separately for each of theoretical structure were assumed by using LISREL 8 in this study. Structural equation model (SEM) is frequently used since it allows to test direct and indirect effects between observable and unobservable variables in a single model (Joreskog and Sorbom, 1996:21-26; Meydan and Şeşen, 2011:5). This theory represents “causal” processes which create observations on more than one variables (Byrne, 2010:3). SEM is a comprehensive statistical technic which is used to test causal relationships between observable and unobservable latent variables. The main purpose of SEM is to explain concurrently created dependency relationship structure between one or more observable variables and unobservable latent structure sets (Yılmaz, 2004:79).

The most basic specification of SEM studies is them to wholly depend on theory. This represents an investigation of a theoretical structure which has been existed or was created by a researcher. In the first section of this research, theoretical structure was presented and relationship network between variables were established and whether these relationships were verified, were tested (Şimşek, 2007:1). In this study, confirmatory factor analysis was applied to variables. Because analysis was suggested by researchers to commence with direct confirmatory factor analysis in the intercultural scale adaptation studies. Because factor structure in the original culture of the related tool was established with many quantitative and qualitative researches and experimental proofs were obtained related to structure validity of the tool (Çokluk et al., 2012:275-283; Durukan and Hamşioğlu, 2015:11).

Findings

According to the obtained findings, hypotheses that were created in the study were accepted. In other words, the first hypothesis of the study that is “*Entrepreneurial orientation positively affects strategical orientation*” was accepted. Standardized path coefficients (β) were found as 0,86 and the relationship between these two variables was found as high and meaningful (β 0,86; $t=4,56$; $p<0,05$). This value represents that one point of increase in entrepreneurial orientation causes 0,86 point increase in strategical orientation or in the contrary, one point of decrease in entrepreneurial orientation causes 0,86 point decrease in strategical orientation.

The second hypothesis as “*Strategical orientation positively affects company performance*” was accepted. Standardized path coefficients (β) were found as 0,75 and the relationship between these two variables was found as high and meaningful (β 0,75; $t=8,65$; $p<0,05$). This value represents that one point of increase in strategical orientation causes 0,75 point increase in performance or in the contrary, one point of decrease in strategical orientation causes 0,75 point decrease in performance.

The third hypothesis as “*Entrepreneurial orientation positively affects company performance*” was accepted. Standardized path coefficients (β) were found as 0,77 and the relationship between these two variables was found as high and meaningful (β 0,77; $t=5,87$; $p<0,05$). This value represents that one point of increase in entrepreneurial orientation causes 0,77 point increase in performance or in the contrary, one point of decrease in entrepreneurial orientation causes 0,77 point decrease in performance.

In the analysis of the model’s structural equation, it was observed that the explained variance ratios were high in all three equations and t values that were obtained in the equation was meaningful ($p<0,05$).

• *Entrepreneurial Orientation (Ent-Ori) = 0,86*Str-Ori (Strategical Orientation), Error Variance =0,44, R²=0,71*

• *Company Performance (Com-Per) = 0,75*Str-Ori (Strategical Orientation), Error Variance =0,35, R²=0,68*

• *Company Performance (Com-Per) = 0,77*Ent-Ori (Entrepreneurial Orientation), Error Variance =0,27, R²=0,66*

Conclusion

Conclusion and suggestion section of the study could be divided into three categories as evaluation of research findings, suggestions for company managers and suggestions for future studies:

(a) *Evaluation of Research Findings:* In the study that was conducted with 400 textile companies in Istanbul City; the first hypothesis as “*entrepreneurial orientation positively affects strategical orientation*” was accepted and the relationship between these two variables was found as high and meaningful (β 0,86; $t=4,56$; $p<0,05$). In many similar studies, a positive relationship between entrepreneurial orientation and strategical orientation was found (Zhou et al., 2005, Atuahene-Gima and Ko, 2001, Li et al., 2006, Liu et al., 2002, Li, 2005). The results of those studies support the results of this study.

The second hypothesis as “*Strategical orientation positively affects company performance*” was accepted and the relationship between these two variables was found as high and meaningful (β 0,75; $t=8,65$; $p<0,05$). Similarly, in many studies, a positive relationship between strategical orientation and performance was found (Gatignon and Xuereb, 1997, Jeong et al., 2006, Narver et al., 2004, Li et al., 2006, Wang and Wei, 2005, Li, 2005). The results of those studies support the results of this study.

The third hypothesis as “*Entrepreneurial orientation positively affects company performance*” was accepted and the relationship between these two variables was found as high and meaningful (β 0,77; $t=5,87$; $p<0,05$). A positive relationship between entrepreneurial orientation and company performance was found in many studies in literature (Zahra, 1991, Zahra and Covin, 1995; Zahra, and Garvis, 2000; Lumpkin and Dess, 1996, 2001, Papatya et al., 2016). The results of the studies, which were conducted for similar purposes, support this study’s results.

(b) *Suggestions for Managers*: Today, company managers’ decisions and behaviors have a significant role on companies, which perform in rapidly changing and developing environment, to enter into new markets and to obtain sustainable competitive advantage, and success and application effects of entrepreneurial orientation and strategical orientation. Being different from their competitors in the sector that they have operations, meeting their customers’ undiscovered demands and/or meeting their customers’ demands in different ways, and being able to take ahead in competition depend on company managers’ personal characteristics. Therefore, company managers should use entrepreneurial orientation and strategical orientation as a tool for their companies to reach the established targets and to adopt behaviors that are in compliance with the company strategies, and they should ensure innovative thinking structure is adopted by all employees.

(c) *Suggestions for Future Researches*: Some limitations were adhered while interpreting the research findings. These limitations also include some suggestions for future researches:

Firstly, as a limitation, the results of this study could not be generalized for all sectors since this study was conducted for only one sector. Secondly, the study was organized as a *cross sectional study* due to time limitation. Therefore; verifying, testing and strengthening of the results and making *comparative researches* with a larger sample including different sectors -especially highly competitive sectors- were restricted. The results of future studies that might be conducted with textile firms in other cities can be compared with this study’s results, sample size can be exceeded and a road map can be created with the obtained results for textile firms. Lastly, questionnaire might not be reflecting the reality due to personal answers, surveyor and respondent errors. Therefore, different results might be obtained in different sector groups and different sample size in future researches.