

# Does strategic purity matter?

## *How strategic typology affects organizational performance*

**T**he concepts of strategy and firm size are typically touted as being the most reliable predictors of a firm's performance. While gauging the size of a firm is not usually difficult, understanding the chosen strategy can be. Crucially, understanding a firm in relation to the combination of these two concepts is what allows others to mimic the decisions of other firms to boost their own performance. In this sense, strategy can be understood as the way a firm acts to invest in appropriate resources needed to develop key capabilities that, if sustainable, grant improved performance. An understanding of what constitutes the performance of a firm can be broken down into three concepts:

- the ultimate goal of top level management;
- a matter of measurement perspective, based on selecting the appropriate indicators; and
- a question of scope, regarding what areas of should contribute what counts for performance indicators.

It has been widely held that strategic purity leads to enhanced performance. This, however, is not the case anymore. The complexity and constant shifting challenges of the global market suggest that a hybrid strategic outlook is able to yield better results. Adaptability and the ability to be comfortable dealing with ambiguous strategic issues is now a requirement, and as such, a blend of strategies is needed to succeed. Four strategic types have been identified. These are:

1. *Prospector* – companies that look continually outwards, analyzing the external environment and creating new products to stay ahead of the curve. Those looking to be first to the market.
2. *Defender* – companies that are heavily focused on internal processes, with a conservative attitude toward product development. They seek to improve efficiency within, creating stability.
3. *Analyzer* – companies demonstrate a blend of prospector and defender behaviors, looking for efficiency and stability within, but constantly monitoring rivals' behavior to copy and better them.
4. *Reactor* – companies that focus on reacting to events and developments rather than pioneering their own. Typically caused by ineffectual management, relying on external pressures to force change.

To a certain extent, firm size has a direct effect on strategic options and effectuality. As a firm grows, so does the internal bureaucracy and a more rigid and formal structure develops. This can often reduce the impact and role of managerial staff. As such, it is hard for a larger firm to adopt strategies that rely on adaptability and flexibility without considerable effort being exerted to reduce the inflexibilities inherent with large firms.

## Strategic choices in Pakistan

The strategies outlined above are known, individually, as pure strategies. Yet, the prevailing idea at present is that a hybrid of two or more of such strategies could yield the best results. As such, hybrid strategies such as prospector-analyzer-like (PA-like) and defender-analyzer-like (DA-like) are possible. [Anwar and Hasnu \(2017\)](#) have studied 307 firms from 12 industries within Pakistan. Because of the pressures of security, political instability, and a resistance to innovation, the implementation and effects of strategic choice are accepted as being different to what would be expected in a developed market. Based on this, [Anwar and Hasnu \(2017\)](#) have identified 10 hypotheses, listed below with whether they are supported by their findings:

- H1.* There is a significant difference in the performance of viable strategies (partially supported), (a) Viable strategies outperform reactors (partially supported).
- H2.* The performance of strategic types varies with the change in firm size and industry (partially supported).
- H3.* Hybrid strategies are superior to the pure strategies both in adaptation and in performance (partially supported).
- H4.* Strategy has a positive relationship with performance (partially supported).
- H5.* The firm size has a significant impact on firm performance (fully supported).
- H6.* The industry has a significant impact on firm performance (partially supported).
- H7.* Combined together, strategy, size, and industry have a significant impact on firm performance (supported).
- H8.* Interaction for possible combinations of strategy, size, and industry has a significant impact on performance (supported).
- H9.* Strategy is a better predictor of performance than size and industry (supported).

Of strategic choices from the 307 firms, analyzers are the most dominant (47 per cent) followed by DA-Like (21 per cent), and PA-Like (14 per cent). A hybrid strategy has been adopted by 303 firms, demonstrating the apparent benefits of hybrid over pure in this market. Ultimately, the firms with a hybrid strategy outperform those with a pure strategy in every measureable way. Significantly, reactors were seen as the worst of all types of strategy, with the size of firm having the biggest effect on performance.

## Why hybridize?

The success of hybrid strategies over pure strategies goes against conventional understanding. The updated belief is that in markets beset by uncertainty, having adaptable strategies that take strengths from different approaches make a firm better able to identify and take advantage of unforeseen events. Ultimately, hybrid is better than pure, and defender is better than prospector. Reactors do perform well in certain industries, but not significantly. Most importantly, size of firm seems a better indicator of firm performance. But strategic choices do have an impact. Pure strategies open up weaknesses for firms through over-specialization, reducing the ability to adapt. Hybrid strategies also provide

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cover to prevent rival firms from copying successful actions. Finally, as customer tastes evolve, firms need the ability to recognize and address these changes quickly, which is something pure strategies are typically unable to do.

**Comment**

The review is based on “Strategy-performance relationships: a comparative analysis of pure, hybrid, and reactor strategies” by Jamil Anwar and S.A.F. Hasnu, published in the *Journal of Advances in Management Research*.

**Reference**

Anwar, J. and Hasnu, S.A.F. (2017), “Strategy-performance relationships: a comparative analysis of pure, hybrid, and reactor strategies”, *Journal of Advances in Management Research*, Vol. 14 No. 4, pp. 446-465.

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