

# STRATEGIC ORIENTATIONS AND ORGANISATIONAL TYPES: A THEORETICAL LINK

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**Abstract** The aim of this study is to explore the extant literature with respect to the effect of organisational types on SO-performance relationship. The type of an organisation is a mental model or metaphorical representation manifested through the structural characteristics such as systems, processes, nature of business and workforce. It is also manifested through values, norms, shared vision (known as culture) and strategic orientations. Authors of this study therefore firmly believe and propose a significant connection between type of organisation and SO-performance relationship. The paper discusses this conceptual link through the review of literature systematically based on last three years research publications i.e. 2010-2012. Firstly, authors highlight the existence of SO-performance relationships and then purport the links between frequently cited SOs and organisational types. The study concludes with several propositions based on a theoretical framework and provokes attention of future researchers towards this crucial issue.

**Keywords:** SOs, Organisational Types, Mechanistic, Organic, Political, Organisational Performance, Adaptive Learning, Generative Learning

#### **INTRODUCTION**

An organisation is a purposeful arrangement of resources to achieve a common goal through its established mechanism (Miles et al., 1977). Organisations may be for-profit or notfor-profit purposes thus common goals could be financial, non-financial or social. The achievement of goals is associated with the organisational performance which is firmly attached with its competitive advantage (Ismail et al., 2010). In strategic management literature, exploration of sources of sustainable competitive advantage has been at the heart of discussion (Porter, 1985, 1991; Barney, 1991; Ma, 1999a, 1999b, 2004; Flint and Fleet, 2005; King, 2007) for superior performance. The extant literature highlights different perspectives to achieve and sustain competitive advantages but two of them are discussed persistently i.e. positional or strategy view and resource-based view of firms. The positional view argues that the position within an industry is the source of advantage (Porter, 1980) while according to the resource-based view of firms, capabilities and competencies are its primary source of advantage that are based on the internal resources of the firm (Hamel and Prahalad, 1994; Barney, 1991).

Nevertheless, authors of this study differentiate between competitive strategy and strategic orientations, as competitive strategy is the source of achieving sustainable competitive advantage while strategic orientations are postures across different aspects of the organisations' strategic behaviours. Therefore, in the opinion of this study the strategic orientation (SO) is also a prominent source of competitive advantage, which is generally being under represented. Strategic orientation provides a foundation for long-term success to an organisation (Sinkovics and Roath, 2004) and creates a proper behaviour within the organisation to achieve superior performance, (Gatingnon and Xuereb, 1997; Narver and Slater, 1990). Over the period, in extant literature there has been a direct relationship shown between different strategic orientations and organisational performance for example, market orientation (Hult and Ketchen, 2001; Fritz, 1996; Narver and Slater, 1990), Miles and Snow's (1978) strategic orientations, Porter's (1985) cost leadership and differentiation strategic orientations. Some other authors like Parnell et al., (2012); Shin and Aiken (2012); Prodomos et al., (2011) and Grinstein (2008) have also discussed many other strategic orientations that again directly link with firm's performance. The most commonly interpreted SOs and their individual as well as combined relationships with performance are market orientation (MO), learning orientation (LO), innovation orientation (IO), entrepreneurial orientation (EO) and employee orientation (EmO) (Grinstein, 2008; Hult and Ketchen, 2001; Liu et al., 2002).

A firm may opt for a number of SOs singly or jointly Grinstein (2008), in the opinion of this paper, it forms a distinct source of competitive advantage, which will be discussed later. The meta-analysis by Grinstein (2008) further asserts that

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firms should shift their focus towards the impact of various combinations of SOs on performance instead of focusing only on one SO (MO-performance) relationship. In continuation of this debate, the present study is an attempt to seek and include some other influencing factors especially type of organisation on the SO-performance relationship. Authors imply that the impact of different SOs may not be identical across the organisational types because of the heterogeneous characteristics of SOs as well as organisations. The type of an organisation is a mental model, which inhabits the mind of the owner/ CEO (Morgan, 1986). These metaphorical mental-models or symbols as organisational types reflect the commonly discussed structural characteristics and systems within the organisation like formalization, centralization, bureaucracies, integration, open system and complexity of decision-making (Pleshko and Nickerson, 2008; Morgan, 1998). The organisational characteristics drive the culture of the organisation, which are manifested through strategic orientation. The strategic orientations and organisational structural characteristics are intertwined with each other as discussed by Miles and Snow (1978). Many philosophers and researchers describe several organisational types in multidimensional perspectives. However, this study will focus mainly on three persistently discussed metaphoric types of organisations i.e. mechanistic, organic and political (Esther, Cameron and Green, 2009) extracted from Morgan's book titled "Images of Organisations" published in (1986). Philosophers and theorists also name these types as approaches or paradigms or perspectives. In the opinion of this paper the relationship between SO and firm performance is incomplete without incorporating the consideration of the organisational types where this relationship is to be enacted.

In line with the above, some of the researchers (Baker and Sinkula, 1990a; Liu et al., 2002; Slater and Narver, 1995) raise the issue of relationship between SOs and different organisational types indirectly. For instance, they describe that the learning orientation challenges long-held and fundamental assumptions (myopic mindset e.g, rigid organisational structure) of the top management and owners of the firms, which is an indication towards a particular organisational type. On the other hand, Pleshko and Nickerson (2008) could not find any significant relationship between strategic orientation and most commonly discussed structural characteristics i.e. formalization, integration, centralization and complexity. However, based on the evidence sitting in the literature, the link between the strategic orientation and organisational types seems logical and is very crucial to understand pragmatic effectiveness of SOs on firm's superior performance. As explained earlier the extant literature shows direct SO-performance relationships without considering any other influencer is simplifying the relation to the inclusion of many other significant factors. In this regard, this study suggests that the type of organisation has a significant role to play in SO-performance relationship. This paper therefore will undertake a systematic review of literature and first demonstrate the existence of the relationship between SO and firm performance and subsequently propose that the type of organisation has a significant role in this relationship. To extend this argument the paper will first seek to explain the commonly cited types of strategic orientations and then three common types of organisations and their influence on the SO-performance relationship. At the end, the paper will conclude in terms of presenting a theoretical framework and extending propositions thereof.

#### **METHODOLOGY**

The research type is systematic literature review (SLR). Computerized search is engaged to identify prospective inclusion in this study. Emerald database is selected to collect the related research articles covering the research areas of strategic orientations and organisational types. The keywords used for searching are "strategic orientation" and "learning orientation or entrepreneurial orientation or innovation orientation or employee orientation or competitor orientation in all fields" and "organisational types or mechanistic or organic or political in all fields. The literature shows the presence of these keywords and orientation types repeatedly. The sample from which the research articles are taken is focused on last three years publications i.e. from 2010 to 2012. The population of total 37 research articles has been included in this study.

The upcoming section will discuss the systematic literature review in tabular form followed by the section in which this table is explained (Table 1) in terms of different SOs and their relationships with performance. The next part of this paper will explain the three common types of organisations as introduced above in the introduction section followed by the linkages between each SO and appropriate type of organisation. The subsequent section shows a theoretical framework which is concluded with several propositions.

All the research articles included in this systematic literature review discuss the direct relationship between different SOs and firm performance in different organisational contexts i.e. SMEs, service versus manufacturing organisations, geographical divisions, emerging markets, export market, higher education organisations and MNCs etc. Keeping in view the discussions and findings, we have divided this review of literature in three frequently discussed areas such as types of strategic orientation, organisational context and major findings. The organisational performance is the only dependent construct, which is considered by all the authors of research articles included in this review. However, this dependent construct is interpreted in several aspects such as financial performance, employee performance, divisional/departmental performance, social





performance and like that. Therefore, we have bifurcated this multidimensional construct in two broad perspectives; one is financial and other is non-financial or general performance. Only four articles among 37 have reported the organisational performance in terms of financial performance, others discussed it in terms of non-financial or generic way. Here, it is pertinent to note that none of the articles report explicitly the effect of organisational type on SO-performance relationship, which is the main objective of this study. Before establishing the theoretical link between organisational types with respective strategic orientations, we will define and discuss the frequently cited strategic orientations i.e. market, learning, innovation, entrepreneurial, and employee orientation.

**Table 1: Summary Table** 

#### Non-Financial/General Performance

| Authors   | Orientations  | <b>Organisational Context</b>  | Major Findings  |
|---|---|--|---|
| Grinstein (2008); Prodomos et al., (2011); Parnell et al., (2012); Shin and Aiken (2012)  | Strategic Orientation;<br>Market orientation,<br>Several SO combinations                                | SMEs; Various companies  | Strategic orientation (SO) has positive impact on firms' financial performance.   |
| Ryan et al., (2010); Jaakson et al., (2011); Rajala et al., (2010); Sahney et al., (2010); Secundo et al., (2010); St-Pierre and Audet (2011) | Innovation Orientation, Market Orientation and Intellectual capital orientation (Employee orientation). | Higher Education,<br>Software Industry and<br>Biotechnology organisation | Innovation and market orientations enhance the employees' satisfaction and capabilities which have positive impact on overall firm performance. Intellectual capital (IC) and human resources (HR) can be managed through alternative orientations that enhances as HR becomes more productive and efficient.   |
| Kathuria et al., (2010); Morris and Christine et al., (2012)  | Leadership orientation  |  | An effective leadership is positively associated with performance and can lead various complex projects.  |
| Carmen et al., (2010); Li et al., (2011); Zhang and Bruning, (2011)   | Proactive orientation;<br>Entrepreneurial orientation;<br>Strategic Orientation                         |  | Entrepreneurial orientation (EO) has positive impact on overall FP.   |
| Esper et al., (2010); Liu et al., (2011); Ellinger et al., (2012)   | Supply chain orientation and Strategic Time Orientation.  | Supply Chain Firm; Manufacturing Firm.                                   | Firm's strategic intention to compete through supply chain capabilities and firm's internal structural elements incorporated to understand SCO. Strategic time orientation and supply chain of manufacturing practices are associated with MBUs' combinative competitive capabilities Supply Chain Management (SCM) effects the customer satisfaction positively. |
| Haro-Diminguez t al., (2010);   | Strategic orientation for acquisition purpose   | SMEs   | Managers use strategic orientations as pro-<br>active approach for acquisitions which are<br>positively correlated with performance.  |
| Doherty et al., (2010)  | ERP Technology orientation (some authors call it innovation orientation)                                | Manufacturing firms  | The implementation of ERP technology and the strategic orientation modify the structural design of organisations. Furthermore, the success of ERP deployment predicts strongly the organisational form than the scale of the deployment.  |
| Bennett and Savani (2011)   | Learning orientation & listening orientation  | Human Service Charities (HSCs)   | Strategic approaches are used to handle formal complaints in Human Service Charities characterized by: learning, listening and client orientation.  |
| Ana et al., (2011);   | Market Orientation  | New service  | Customer relationship is improved through market orientation (MO).  |





(Contd.)



#### Table 1: (Contd.)

#### Non-Financial/General Performance

| Authors  | Orientations  | Organisational Context   | Major Findings  |
|--|---|--|---|
| Langabeer II and DelliFraine (2011)                  | Employee orientation  | The effect of organisational size on decision making process across the industries | Executives are optimistic than average which is associated with less rational (and more incremental) strategic decision-making processes which is also effected by organisational size.   |
| Ormrod et al, (2011)                                 | Political market orientation  | Political activities in Non-<br>profit Organisation                                | Positive relationship between ideologist postures and organisational performance across all political activity levels.  |
| Akhter et al., (2011)                                | Customer orientation or<br>market orientation (cus-<br>tomer orientation is found-<br>ing element of market ori-<br>entation) | Emerging Markets   | Globalisation significantly change market context for the firms. Moreover, these changes are responded in market contexts by shifting from production to customer orientation, building brand equity, developing new products, and differentiating offerings (marketing activities) yet profitability suffered. |
| Rao (2011)   | E-learning orientation  | Multi-Nationals Companies  | E-learning practices influenced by power distance, uncertainty avoidance, in-group collectivism, and future-orientation.  |
| Riviezzo, (2012)                                     | Market Orientation, Entre-<br>preneurial Orientation  | IT service   | Knowledge based resources are used in dynamic environment to be successfully acquire.   |
| Paiva et al., (2012); Al-Adaileh and Al-Atawi (2011) | Knowledge orientation and Resource-based orientation  | Telecom and<br>Manufacturing industries  | Knowledge exchange (KE) and knowledge-<br>based view (KBV) play significant role in<br>manufacturing strategy process.  |
| Parnell et al., (2012)                               | Export market orientation   | Export Organisations   | Positive relationship between export market orientation (EMO) and export sales performance of the firm.   |
| Griffith et al., (2012)                              | Strategic Orientation   | MNC with local market  | In highly dynamic and competitive intense markets, multinational companies (MNCs) mainly employ a prospector orientation.   |
| Sarah et al., (2012)                                 | Not clearly mention any orientation.  |  | For some operational outcomes the effect of operational practices are additive and compensatory for others.   |

#### Financial Performance

| Authors  | Orientations  | Context                            | Findings   |
|--|---|------------------------------------|--|
| Nandakumar et al., (2011)  | Strategic Orientations  | Manufacturing firms.               | Either cost leadership or differentiation strategy enhances Firm's Performance.  |
| Carlos et al., (2011); Owusu-Frimpong and Nwankwo., (2012); Lucio et al., (2012) | Strategic Orientations;<br>Service Mindful Orienta-<br>tion;<br>Innovation Orientations | Various firms; SMEs; Family firms. | Quality management (QM) is best implemented by general manager than quality manager. It has shown differences in SMO between manufacturing and service SMEs. While Lucio <i>et al.</i> , (2012) differentiate the role of family and nonfamily firms. Firms that are long-term oriented it is reasonable to expect that it will be more successful in NPD programs, thus reaching a NPD long-term lunge. |





#### **Strategy and Strategic Orientation**

Strategy is the mean of achieving sustainable competitive advantage, which is associated with the firm performance. The core objective of strategic management is to predict and interpret the firm performance (Ketchen et al., 1996). The identification of competitive strategy on the other hand, is also known as strategic fit, strategic choice or more recurrently known as strategic orientation (Morgan and Strong, 2003). Strategic orientation is defined as the direction for an organisation to create appropriate strategic behaviours to achieve incessant superior performance (Gatingnon and Xuereb, 1997). The main inspiration of strategic orientation is to anticipate the uncertainty presented in the environment and make the strategic-fit between the firm's internal resources (RBV) and external forces (Porter, 1980). The positive direct relationship between strategic orientation and firm performance is evident in extant literature (Escriba-Esteve et al., 2008). Recent studies argue that this relationship is not simple but there is a need to consider the importance of the complex relationship between SO and performance (Baker and Sinkula, 2009; Grinstein, 2008; Todorovic and Ma, 2008; Shoham et al., 2005; Lumpkin et al., 1996). Miles et al. (1978) have introduced four ideological typologies as strategic orientations such as Prospectors, Defenders, Analyzers and Reactors.

Porter's two main strategies i.e. cost-leadership and differentiation and some other as external versus internal, opportunity seeking versus problem avoiding orientations (Noble et al., 2002; Wright et al., 1995) have been considered as strategic orientations in this systematic literature review. Although, different combinations of SOs have positive impact on firm performance but Nandakumar et al. (2011) argue that the firm which adopts one strategy as strategic orientation either cost-leadership or differentiation strategy (Porter, 1980) performs better than that which has a stuckin-the-middle strategies. Prodomos et al., (2011); Parnell et al., (2012); Shin and Aiken (2012) argue that SOs like learning, technology, market, customer, and competitor have significant impact on firm performance through marketing capability. The summary table (Table 1) draws attention towards a number of strategic orientations such as market, learning, innovation, entrepreneurial, intellectual capital, employee orientations and so on. The brief interpretation of the five central alternative orientations is as follows.

#### Market Orientation

Previous researchers argue that MO is the most prominent and important strategic orientation which has a strong positive relation with firm's performance (Fritz, 1996; Hult and Ketchen, 2001; Narver and Slater, 1990). Consistently, some authors of this review-based literature also establish the link of market orientation by incorporating its several components. For instance, Robert et al. (2011) discuss the relationship between political market orientation and firm performance in two different controlled organisational configurations; one is relation builder (Party A) and other is ideologist (Party B). The relationship between ideologists and firm performance is found positive while relation builders configuration has the problem of misalignment with firm's strategic implementation. This mismatch between organisational configuration (Party A) may be overcome by establishing a link between performance variables (Powell, 1992; Slater and Olson, 2000; Venkatraman, 1990). John et al., (2012) establishes a positive link between export market orientation (EMO) and export sales performance of the firm. Ana et al., (2011) shed light on customer-relationship management through market orientation, which enhances innovative characteristic of an organisation in service sector.

Market orientation (MO) is a broadly discussed behaviour in extant literature, which encompasses the three main cultural components (SOs) such as customer orientation, competitor orientation and inter-functional coordination (Day, 1994; Kohli and Jaworski, 1990; Narver and Slater, 1990). According to Narver and Slater (1990) MO is an organisational culture, which promotes such behaviours that create value for customers (customer-orientation) and eventually superior performance for organisation. Kohli and Jaworski (1990) on the other hand, validate the MO-performance relationship by emphasizing on market intelligence with reference to the collection of information about current and future needs of customers and disseminate this information across the departments of the organisation. Researchers have consensus that the culture of market-oriented firms is demonstrated by an archetypal behaviour espousing the activities like information gathering regarding current and future needs of the customers, responsive capability of the organisation and inter-functional coordination (Deshpande' and Farley, 1998; Jaworski and Kohli, 1993; Slater and Narver, 1994). All empirical, conceptual and meta-analytical studies substantiate the positive association between MO and organisational performance (Cano et al., 2004; Kirca et al., 2005; Shoham et al., 2005).

#### **Entrepreneurial Orientation**

Entrepreneurial orientation is another very important orientation, which is discussed consistently in the extant literature. Any organisation whether it is newly established or existing one, has to deploy its internal resources such as they must be fit strategically with its strategic direction and environmental forces to achieve the sustainable competitive advantage. Entrepreneurial orientation is the capability of an organisation, which enhances managers' proactive







strategic orientation (risk-taking and innovativeness capabilities) to acquire technological innovation (Carmen et al., 2010). Li et al. (2011) emphasize the positive relationship between entrepreneurial orientation (EO) and organisational performance while Zhang & Bruning (2011) highlight the importance of entrepreneurs' personal characteristics. Entrepreneur's personal characteristics and firm's risk-taking ability, promote the learning activities, innovativeness, pro-activeness and aggressiveness within the organisation (Atuahene-Gima and Ko, 2001; Becherer and Maurer, 1997; Bhuian et al., 2005). Zhang and Bruning (2011) provide an empirical support to the positive direct and indirect relationship between an entrepreneur's personal characteristics i.e. internal locus of control, need for achievement, and need for cognition and firm's financial performance.

In the dynamic and complex environment the speed of strategic change (SSC) is considered crucial, which is associated with the EO characteristics of an organisation such as how much its functions are adaptable and integrated (Li et al., 2011). Some other researchers like Bhuian et al., (2005); Hult et al., (2004); Luo et al., (2005)b; Slater and Narver, (1995) further assert that the entrepreneurial characteristics enhance organisational transformation and renewal activities which is eventually helpful to build new competencies, and create new dimensions of businesses within the existing business. These entrepreneurial characteristics and activities exploit on the promising opportunities that is a driving force of new products and organisational growth.

#### **Learning Orientation**

Learning orientation refers the knowledge exchange, knowledge management and most important knowledge creation in the organisation. This is an organisational characteristic which normally concerns with the firm's tendency to make change in fundamental organisational norms, beliefs and values which leads the organisation towards a proactive behaviour (Baker and Sinkula, 1999a; Hult et al., 2004). Two types of learning are commonly cited in the literature such as adaptive and generative learning that are underpinned the concepts of single-loop and doubleloop learning respectively (Argyris, 1987; Leonard-Barton, 1992; Stalk, 1988). The underlying assumptions of adaptive learning are sequential and linear thinking and foresee the problems and prospects as incremental processes (Prahalad and Bettis, 1986). This sort of learning is known as singleloop learning which is based on self-regulatory cybernetic system. In this system, learning is endured through detecting and correcting errors from the actions (managerial as well as procedural) previously taken place. The limitation of this learning process is that it focuses only on the 'what' and 'how' questions but do not answer the question of 'why' i.e. underlying assumptions of the problem (Argyris and Schon, 1978).

Generative learning is based on double-loop learning concept in which firm's long-held assumptions and deepseated operating beliefs of top management and leaders are challenged by questing the answer of 'why' to evade the firm from active inertia (Argyris and Schon, 1978). The embracement of this type of orientation leads the firms towards a better performance and eventually by creating knowledge and competencies enables the organisations to respond properly to their environment (Baker and Sinkula, 1999a; Liu et al., 2002; Slater and Narver, 1995). Existing contemporary organisations need a strong learning orientation based on four components i.e. commitment to learning, shared vision, open-mindedness, and knowledge sharing or knowledge exchange (Al-Adaileh and Al-Atawi, 2011) within and intra-organisations to expand competitive advantage (Calantone et al., 2002). Learning orientation has a positive effect on firm's innovativeness characteristic, which ultimately enhances the firm performance.

#### **Innovation Orientation**

The innovation orientation often labeled as technological or product orientation, which refers implementation of new ideas, products or processes. It is positively related with firms' long-term success as it enhances organisational flexibility, willingness to change, and the introduction of new products while decreasing organisational inertia (Hult et al., (2004; Damanpour, 1991; Hult and Ketchen, 2001; Lukas and Ferrell, 2000). The strategic flexibility based on open innovations plays a vital role in making organisation adaptable and responsive in complex environment (Risto et al., 2010). Jaakson et al., (2011). The authors highlight the elements that hinder the innovativeness of an organisation and they suggested some remedial actions, such as three areas need to be improved to enhance the innovation capability. First, employees should be given central position while undertaking any project. Second, systematic rotation of employees is necessary; the size of organisations and its characteristics inhibit in this process. Third, there must be some system for gathering ideas from employees even if a scheme was formally in place it did not deliver the expected results. These findings and recommendations invite the attentions of scholars towards some other strategic orientations like innovation and employee orientations.

According to Siguaw et al., (2006) the innovation orientation is composed of a learning attitude, strategic direction, and trans-functional beliefs within an organisation that direct the organisational strategies toward specific competencies and processes. It is pertinent to discuss here that learning orientation and innovation orientation are intertwined with each other and very crucial for those organisations that face







the turbulent, complex and dynamic environment as Paiva et al., (2012) has also discussed its importance in context of knowledge based view (KBV) of firms.

#### **Employee Orientation**

Knowledgeable and innovative employees or human resources of an organisation are very important intangible intellectual capital (St-Pierre and Audet, 2011; Secundo et al., 2010; Sangeeta et al., 2010). Authors state that the organisations that have alternative orientations, they can manage their intellectual capital (IC) more effectively. The intellectual capital (IC) or human capital (Penrose, 1959) is derived from experience, knowledge (tacit and explicit both) and entrepreneurial capabilities of individuals of an organisation. Sangeeta et al., (2010) also argue in favour of IC development by finding empirically that the satisfied internal human resources (staff) will be more productive and efficient. While Carlos et al., (2011) draw attention towards the positions' incongruity towards implementation of quality management and they found that general managers are more effective than quality managers to implement the quality management. Al-Adaileh and Al-Atawi (2011) also shed light on the similar types of strategic orientations as cultural attributes like innovation, trust, information flow, supervision and reward system affect KE activities within the organisation.

According to RBV, firms commonly focus on their human capital or intellectual capital (IC) by emphasizing on employees' well-being so that they can share and contribute into the strategic issues of the firm (Harris and Ogbonna, 2001; Piercy et al., 2002). Employee orientation indicates the type of organisations through its actions i.e. de-centralized decision-making processes, investments in employees' development, and delegation of power and responsibility. Previous research has demonstrated the positive effect of employee orientation on performance, suggesting that satisfied, motivated and committed employees create satisfied and loyal customers, which, in turn, are likely to increase the firm's stream of revenues (Fritz, 1996; Harris and Ogbonna, 2001; Pfeffer and Veiga, 1999; Ruekert, 1992).

The rest of the research papers included in this systematic literature review discuss some other strategic orientations and their relationships with firms' performance with respect to the different contexts. Paiva et al., (2012) present the manufacturing process strategy (MPS) from knowledgebased view (KBV) of firms and they are of the point of view that knowledge is the key resource (internal as resourcebased view and external as market knowledge) of MPS. Alexandra et al., (2012) emphasize on customer satisfaction and shareholders' value by increasing supply chain management (SCM) efficiency. According to Terry et al., (2010), firm's strategic intention to compete through supply chain capabilities and firm's internal structural elements needs incorporated to understand SCO. Furthermore, strategic time orientation and supply chain of manufacturing practices and advanced manufacturing technology are associated with MBUs' combinative competitive capabilities (Nan et al., 2011).

Kathuria et al., (2010); Morris and Williams, (2012) discuss the impact of an effective leadership and its six broad themes and observable behaviours on organisational performance. Akhter et al., (2011) accentuate the effect of globalisation in business as the globalisation significantly changes market context for the firms when new country enters in the host countries. Moreover, these changes are responded in market contexts by shifting from production to customer orientation, building brand equity, developing new products, and differentiating offerings (marketing activities) yet profitability suffered. Langabeer II and DelliFraine, (2011) find the role of firms' size in SO-performance relationships as strategic decision-making processes is affected by organisational size. Neil et al., (2010) on the other hand, discuss the influence of SOs on organisational structure and state that the implementation of ERP technology and the strategic orientation modify the structural design of organisations.

The majority of research articles included in this systematic literature review explains direct relationships between SOs and firms' financial and non-financial performance. However, two out of total 37 selected studies discussed these relationships in context of organisational size (Langabeer II and DelliFraine, 2011) and structure (Neil et al., 2010). Although a few evidences are found in the extant literature that organisational structure (types) has an impact on strategic orientations but there is a need of deep understanding that how organisation types influence the strategic orientations. The subsequent sections will interpret the three aforementioned types of organisations and their links with appropriate SOs.

#### TYPES OF ORGANISATIONS

Organisations are complex, multifaceted and paradoxical concepts (Morgan, 1998). Everyone has its own assumptions, concepts, beliefs, mindsets, metaphors and mental models about organisations. Some people consider organisations like a machine as predefined objectives, standardized processes and known outputs (Taylor, 1911). Others may consider it like organisms as organisations are like an open system (Katz and Kahn, 1978) which interacts with its environment and have ability to be adaptive based on the feedback. It is obvious that no strategy to achieve competitive advantage can be successful unless underlying assumptions (mental models and mindset) of the organisation are taken into







account. Gareth Morgan (1998) introduce eight different metaphors to understand the assumptions, mindsets and beliefs about the different types of organisations, i.e. machine, organism, brain, political system, culture, psychic prison, flux system and instrument of domination. Burns and Stalker (1961) accentuate only two of the eight types i.e. mechanistic (machine) and organic (organisms) as two extreme organisational polarities. Esther, Cameron and Green, (2009) discuss four types i.e. mechanistic, organic, political system and flux system in their book. However, in the mainstream of literature, first three types of organisations are cited. Many theorists name these types as approaches, perspectives or paradigms. Each organisational type is manifested through organisational characteristics, structure, design, communication system, culture, norms and values. The strategic orientations of such heterogeneous types of organisations cannot be homogeneous. Thus, organisational types are of the great importance while implementing any strategic orientations to achieve competitive advantage. Here, we discuss briefly the core concepts of three cited organisational types.

#### **Mechanistic Organisation**

Machine is an appropriate metaphor to understand the concept of organisation. In this school of thought organisations work like a machine as every individual comes on time, work on predefined method (input) to get the preset objectives. In favour of machine metaphor, Taylor (1911) introduced the concept of scientific management during industrialization when hand production transformed into mechanical production system. Mechanistic organisations are hierarchical and bureaucratic in nature where units (departments and divisions) function autonomously and controlled a centralized authority, job descriptions, standard operating procedures and principles of management are in written form that have to be followed strictly (Fayol, 1916). The common characteristics of mechanistic organisations are; rigid culture, standardized procedures and practices and specialized functions set for a common objective.

According to Burns and Stalker (1961), mechanistic organisational structure expects a stable environment. These organisations cannot operate in changing and turbulent environment due to rigid, hierarchical, formalized operations and centralized decision-making characteristics. There is no need of innovation because of predefined targets and ends, standardized procedures, job roles and functions like a well-oiled machine. Therefore, tasks are homogeneous as each subtask is relatively stable and easy to control. Having, stable environment, rigid structure, low departmental integration and different autonomous functional areas, these organisations are less dependent on external knowledge and mostly focus on internal environment while making

their strategies. Learning process in such organisations is incremental based on the past actions and problems seen in a linear and simplistic way, which is known as single-loop learning process. It is relatively easier and simpler to organize but rapid change is challenging for such organisations. In fluid, flexible and changing environment mechanistic organisations fail to respond the challenging situations.

#### **Organic Organisation**

An organic organisation is underpinned by 'organism' metaphor, which means that organisations are living and adaptive systems. Organisations are tightly connected with environmental forces, thus in stable environment (like a closed system) bureaucratic types of organisations prosper well. While in fluid, flexible and changing environment, organic organisations that are flatter having least hierarchy and specialization of functions are more likely to be fitted (Burns and Stalker, 1961). Organic organisations are open systems (Katz and Kahn, 1978) having interrelated subsystems and designing of such organisations is fully equipped with realization of environmental changes. The main characteristics of such organisations are participative, decentralized, lateral communication, teamwork and new innovative ideas are encouraged. Such organisations give importance to employees' needs on individual basis by considering it in holistic decisions leading to group leadership and teamwork. This leadership benefits the organisation as every individual shares the knowledge and expectations with each other.

Moreover, decisions arise from the needs of the individuals in the group either by discussion or by changing operations or behaviour without discussion. Organic organisations are considered to provide incentives to their employees so that they co-operate and perform to the best of their abilities in a dynamic environment. In complex environment, rapid communication and sharing of information is necessary. Therefore, different departments and divisions need to be highly integrated. Dynamic environment changes the tasks rapidly, making unfeasible to institute standardization and formalized procedures. The core concept of an organic type of organisation is all the departments and individuals (organisms) work in coordination directed from a central authority (brain).

#### **Political Organisation**

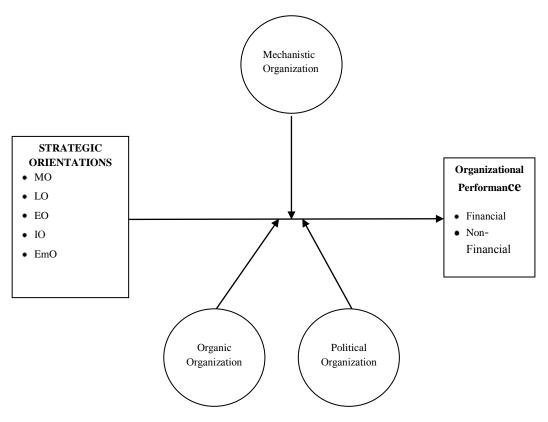
Political organisation involves in the political process and political activities (lobbying, community, campaign advertising, etc) to achieve clearly defined political goals, which benefit the interests of their members. Moreover, it is a system of competing power coalitions of formal and informal







Figure 1: Proposed Conceptual Framework



Source: Self conceptualized

lines. According to Gareth Morgan (1986), coalitions are more important than teamwork in such type of organisation. It is a complex network of clustered power relationships and crisscrossing communication channels. Individuals are group together to form coalitions that compete with each other for resources, benefits and influences. However, such organisation can lead to unnecessary Machiavellian strategies i.e. political war zone (Cameron and Green, 1988) as a dominant coalition establishes the ultimate goals of the organisation. It is not formal authority or contractual relationships but power of an individual or group to modify others behaviour without changing own behaviour. Hence, the managers should know how to use power in order to achieve the desired aims and solve related issues of an individual (Pfeffer, 1992).

#### THEORETICAL LINKAGE BETWEEN **SOS AND ORGANISATION TYPES**

To delineate the main concept of this study, following theoretical framework is proposed which is discussed and concluded on several propositions in the subsequent section.

#### **Market Orientations and Organisational Types**

Market orientation is a broad spectrum having several cultural and behavioural components such as customer focus, market intelligence and inter-functional coordination. Market orientation originated in marketing concept (Kohli and Jaworski 1990; Han, Kim and Srivastava 1998; Noble, Sinha and Kumar 2002; Kirca, Jayachandran and Bearden 2005) where business takes care of customers' needs. Marketoriented firms provide a platform to other organisational characteristics like entrepreneurial, innovation, learning and employees' respectfulness. The combination of MO and entrepreneurial strategic orientations creates synergic effect on product innovation and firm's performance (Atuahene-Gima and Ko, 2001) while Baker and Sinkula (1999a) argue the positive synergetic effect of MO and learning orientation on firm performance. The mainstream of literature validates that market orientation and organisational culture are interconnected with each other. The organisational types on the other hand, are recognized through the structural manifestation which is tightly linked up with the organisational shared vision, values and norms known as culture.







The paper believes that the different organisational types influence the MO differently. Mechanistic type organisations have independent marketing departments having its preset objective of collecting market intelligence about customers, competitors and other stakeholders. The information collected by the marketing department is forwarded to the relevant departments of the organisation like production, procurement and sales to act accordingly. However, its synergistic effect cannot be viewed in this rigid culture due to isolated, non-integrated and autonomous structure of departments. Organic organisations on the other hand are based on hub-like network and adaptable structure where all the members work as team and coordinate with each other to achieve the ultimate mission of the organisation. The study therefore suggests the following propositions on the relationships between MO and both organisational types i.e. organic as well as mechanistic

 $P_{1a}$ : The organic organisations have a positive moderating effect on the relationship of MO and firm performance.

 $P_{1b}$ : The mechanistic organisations have also a positive moderating effect on the relationship of MO and firm performance.

## **Entrepreneurial Orientations and Organisational Types**

Entrepreneurial orientation is characterized as risk-taking, creative, pro-active and aggressive attitudes which are responsive to the changing environment (Atuahene-Gima and Ko, 2001; Becherer and Maurer, 1997; Bhuian et al., 2005). According to Zhang and Bruning, (2011) entrepreneurs' personal characteristics like internal focus of control, need for achievement and need for cognition have strong association with entrepreneurial orientation. Penrose (1959) also supports this argument by stating that the human capital is an entrepreneurial capability of an organisation which promotes the learning environment. Such entrepreneurial orientation needs conducive culture and organisational type where individuals (employees) can share their knowledge (Al-Adaileh and Al-Atawi, 2011), participate in decision-making process and have capabilities to respond the changing environment. This kind of culture and environment is evident in organic types of organisations that have flexible and coordinative culture. Therefore, this study articulates the following proposition:

P<sub>2</sub>: Entrepreneurial orientation (EO) is correlated with organic organisations and the relationship between EO and firm's performance is positively moderated by organic organisations.

Mechanistic as well as political types of organisations however will influence entrepreneurial orientation negatively.

In mechanistic organisations, objectives are followed as per fixed plans, procedures and methods. Because of the rigidity of the system, the managers discourage entrepreneurial and innovative mindsets and they consider such activities as hurdle in the achievement of preset objectives. They argue that such types of interim interruptions in the form of new ideas and methods, not only disturb the smooth and planned course of action but they undermine the performance and increase the cost. Similarly, in political systems people work in coalitions and struggle for power rather to think new methods to improve the performance. In political organisations, coalitions are lobbying against any change and try to keep continue status-quo and create hurdles for creative and entrepreneurial activities. Therefore, propositions based on the arguments above may be formulated as under:

 $P_{3a}$ : The relationship between Entrepreneurial orientation (EO) and performance is negatively moderated by mechanistic organisations.

 $P_{3b}$ : The relationship between Entrepreneurial orientation (EO) and performance is also negatively moderated by political organisations.

## **Learning Orientation and Organisational Types**

The main characteristics of learning orientation are; knowledge exchange (KE), tendency to challenge the long-held fundamental assumptions, beliefs, values and active inertia (Baker and Sinkula, 1999a; Hult et al., 2004). Learning orientation is underpinned by four basic components of learning orientation i.e. commitment to learning, shared vision, open-mindedness, and knowledge sharing or knowledge exchange for existing contemporary organisations (Al-Adaileh and Al-Atawi, 2011). There are two most cited types of learning i.e. adaptive and generative learning based on the concepts of single-loop and double-loop learning respectively (Argyris, 1987; Leonard-Barton, 1992; Stalk, 1988). The former type is related with the incremental change process of learning in which knowledge (technical) is created through hit-and-trail method by considering the past actions. This type of learning orientation suits to mechanistic organisations where processes are standardized and need to be improved incrementally. While generative learning is based on double-loop learning system; challenges the long-held assumptions about strategic as well as operational issues to come up with new ideas which is also called drastic change in the existing system.

The characteristics of learning orientations in general support the organic culture, having assumptions of knowledge sharing and learn from each other. Learning orientation is associated with learning organisations that are based on both the evolutionary (adaptive learning) and double-loop



learning process. The adaptive or incremental learning is associated with mechanistic organisations that are commonly big in size, stability in processes, autonomous departments/ divisions therefore, and severe interdepartmental competition. Nevertheless, because of loosely integrated functions, centralized decision-making and top-bottom communication, the knowledge sharing or knowledge exchange (generative learning) may not be effective at organisational level. The entrepreneurial orientation (EO) on the other hand, is related to risk-taking and aggressive attitudes of the managers. The departmental or divisional heads of mechanistic organisations are authoritative to take autonomous decisions like entrepreneurs for their departments/ divisions. Therefore, two types of propositions may be formulated to conclude the aforementioned discussion:

 $P_{4a}$ : The adaptive learning orientation (ALO) is associated with mechanistic organisations and has positive moderating effect on ALO-performance relationship.

 $P_{4b}$ : The generative learning orientation (GLO) is also associated with organic organisations and has positive moderating effect on ALO-performance relationship.

#### **Innovation Orientation and Organisational Types**

Innovation orientation is related to employees' specific competencies that drive new ideas, new products and processes. Innovation orientation is nurtured in flexible and networked culture where organisations are adaptable, willingness to change, while decreasing the organisational inertia (Hult et al., (2004; Damanpour, 1991; Hult and Ketchen, 2001; Lukas and Ferrell, 2000). This type of organisational culture is found in organic organisations where everyone's opinions, ideas and creative input are given importance. Organic organisations are best fit in changing environment because of its flexible and adaptive characteristics. The proposition therefore may be as follows:

 $P_5$ : Innovation orientation (IO) and organic type of organisations are strongly correlated with each other and this type of organisations have positive moderating effect on IO-performance relationship

Mechanistic organisations on the other hand because of their rigid system and environmental stability as mentioned above, influence the innovative orientation negatively. Similarly, political systems based on coalitions and work for their own agendas, they will also not allow any change in the status-quo. Therefore, the propositions may also be as under:

 $P_{6a}$ : Innovation orientation (IO) and mechanistic type of organisations are negatively correlated with each other.

P<sub>6b</sub>: Innovation orientation (IO) and political type of organisations are negatively correlated with each other.

#### **Employee Orientation and Organisational Types**

Resource-based view of firms mainly focuses on the development of human resources. The human resources of the firm are the only resources that can create competency based unique and inimitable competitive advantage (Barney, 1991). The firms generally invest on the wellbeing of employees, so that they contribute their efforts and knowledge towards the strategic issues (Harris and Ogbonna, 2001; Piercy et al., 2002). The research based on recently last three years' publication in Emerald also purport that the intellectual capital or human capital need to be emphasized to create a strategic fit (St-Pierre and Audet, 2011; Secundo et al., 2010; Sangeeta et al., 2010). The political organisations are based on complex fragmented networks. Members of such networks are struggling for power coalitions to achieve their political agenda. Therefore, members of such organisations are strongly concerned about the policies related to employees' well-being. Organic type of organisations on the other hand also concerned with the welfare of employees so that they remain motivated and satisfied.

 $P_{7a}$ : Employee orientation has a strong bonding with political organisations.

Employee orientation however is also associated with organic organisations because in this type of organisations employees are given central value to get their innovative and creative ideas. Therefore, another proposition may also be

 $P_{7b}$ : Employee orientation has a strong bonding with organic organisations.

### **CONCLUSION AND FUTURE IMPLICATIONS**

Strategy is a source of achieving competitive advantage while strategic orientation provides direction to the organisation to create such behaviours that can produce superior performance (Porter, 1985, 1991; Flint & Van Fleet, 2005; King, 2007). The linkage between strategic orientation and types of organisations is expectedly natural phenomenon. An organisational type is manifested through its structure underpinned by the mental map of the owners and CEOs that influence the performance of the firm (Miller, 1988). Therefore, based on the research findings of Venktraman, (1989) and Miller, (1986 and 1988), the strategic fit between organisational structures (lead to







organisational types) and strategic orientations is crucial while making strategies for the achievement of sustainable competitive advantage. Contrary to the previous research findings, no main strategic orientation can be applied across the board because each orientation has its own parameters, expectations and contextual requirements to fit into the organisation's environment.

This systematic review suggests the strong connection between strategic orientations and organisational types and purports that the relationship between SOs and firm performance is vague without considering its appropriateness with firm's type. This study expounds the characteristics of five most cited SOs such as entrepreneurial, learning, innovation, employee and market orientations and proposes logical associations of each with suitable organisational types. Based on propositions, the paper endows with a theoretical framework encompasses the moderating effect of three main types of organisations such as mechanistic, organic and political on the relationships between these five major SOs and firm performance. The propositional framework provokes the attention of future researchers for further exploration and empirical evaluation of propositions. This research study may be helpful for academicians to quest further dimensions as well as practitioners, executives, consultants, and managers in strategy formulation and implementation processes.

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