INFLUENCE OF STRATEGIC MANAGEMENT ON MARKET ORIENTATION

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Abstract

The paper is focused on the determination of new knowledge about strategic management and market orientation and their relationship. Nowadays, there is not unified theory nor practices of formation and process of strategic management. All authors agree with formulation of vision and mission, execution of strategic analysis, working out the set of goals and business strategy afterwards, which is then implemented and continuously checked. New knowledge about strategic management is connected with education and innovation. Market orientation is very important and topical, because of its influence on business performance. A lot of companies would like to adapt market orientation approach, but adaptation of market orientation is not easy. It could be some specific barriers to impede of application. Nowadays, the main questions of market orientation are connected with barriers detection and their elimination. The objective of the paper is to summarise and analyse perceive of new knowledge about strategic management and its influence on new knowledge of market orientation. Data are noticed in some research studies and are filled about results of “Research on implementation on market orientation in Hi-Tech Firms” (GA 402/07/1493).

Keywords: strategic management, market orientation, learning organisation, innovation, hi-tech firms, Czech Republic.

Introduction

The paper is focused on determination of new knowledge about strategic management and market orientation and their relationship. Market orientation is based on marketing conception. The first detailed studies were offered by workers Kohli and Jaworski (1990) and Narver and Slater (1990). Market orientation is described as a method to contribute better managing of a firm by many researchers. There are published a lot of papers on this topic during last two decades. The first papers involved definition of market orientation; offered methods for its measuring; and investigated impact market orientation on business performance. The last attitude towards market orientation agree that market orientation enables managers to focus on external and internal elements and activities, which influence the activity of an organization leading to its performance increase (Tomášková, 2005; Šimberová, 2008). Nowadays, papers investigated implementation of market orientation especially barriers of implementation of market orientation. A lot of companies would like to adapt market orientation approach, but adaptation of market orientation is not easy. It could be some specific barriers to impede of application market orientation.

Management approach and its deficiencies are one of often mentioned barriers of market orientation. Strategic management is a significant part of management and application of new strategic management knowledge is necessary for market orientation implementation. The first references to the strategic management occurred between fifties and sixties years of 20th century, the most influential pioneers were Chandler (1962) and Ansoff (1965). Until today there were written many publications and papers containing various definitions and procedures. For example Mintzberg, Ahlstrand and Lampel (2005) described ten different schools of thought on strategy formation. Thus it’s possible to say that nowadays exist neither unified theory nor practices of formation and process of strategic management. In the practices various procedures are used concurrently. The most established procedures comprise formulation of vision and mission, execution of strategic analysis, working out the set of goals and business strategy afterwards, which is then implemented and continuously checked. Despite of this, all authors agree with this outcome: strategic management is very useful for a company for survival of company itself as well as for improvement of own performance.

The objective of the paper is to summarise and analyse perceive of new knowledge about strategic management and its influence on new knowledge of market orientation. Data are noticed in some research studies and are filled about results of “Research on implementation on market orientation in Hi-Tech Firms” (GA 402/07/1493). Description, analysis, comparison and synthesis are the methods used to write this paper. For research was used questionnaire New Method with 7-point Likert scale constituted by Tomaskova (2005).
Strategic management

Nowadays the social oriented approaches are quickly spread out. They firstly appeared at the beginning of the nineties, so in the period which is said to be full of changes (Gibson, 1997). According to Gibson (1997) it is necessary to replace the old thinking – the opinion that we are able to control and predict the future – by a new thinking based on discontinuous changes. This thinking considers the abnormalities as a natural thing.

The social oriented approaches are enormously focused on the human capital. Not only that they are absolutely customer oriented, but they are also tightly connected with the knowledge; the phrase “learning organization” started to be common. Senge (1990) perceives the learning organizations as a flexible, quickly reacting with smaller amount of bureaucracy and also as a development of particular abilities to learn, which don’t occur in the traditional organizations.

The social oriented approaches are very proactive and innovative as well. Hamel and Prahalad (1994) are very often considered as main representatives, who declared that strategy needs to be more active and interactive. They develop the idea of the core competencies, so they showed how important it was for the company to know what it does better than its competitors.

Other important representatives are Kim and Mauborgne, who in the year 2005 brought the blue ocean conception. The innovations, which are currently very often discussed, are closely related with this conception. Hamel and Prahalad (1994) have also deal with the innovations, but they at once point out that many companies have the opinion that it is better to let the risking and breaking of the new ways on others, then join and take advantage of the opportunities, which were created by the initiators. Hamel and Breen (2007) distinguish various forms of the innovations, which they hierarchically ordered according to the level of creating the value and sustainability of competitive advance.

On the basis of this new philosophy, which regards the strategic management, distinguish Kim and Mauborgne (2009) two types of strategies. A structuralistic strategy assumes that the corporate environment is given. This approach dominated in last 30 years; the company has to choose whether it takes the way of differentiation from the competitors or it takes the way of low costs. On the other hand the reconstructive strategy is based on the fact, that the company’s efficiency doesn’t have to be necessarily determined by the competitive environment. This type of strategy cancels out the so far existing compromise; the company can follow both the differentiation and the low costs.

Management in Market Orientation

Market orientation is very important and topical for its influence on business performance. There are some barriers which impede implementation this approach into a company. These barriers are divided into three areas. The first area presents external environment, the second area branch environment and the last internal environment. Barriers of external environment are caused by three elements – state, economy and technologies. Elements of external environment are very difficult eliminated by a company. Barriers of branch environment are caused by the main of stakeholders of a company. There usually are customers, competitors, suppliers and distributors. Relationships play the main role in branch environment. (Tomášková, 2009). Building of strategic alliances is one of possibilities to eliminate negative relationships among these stakeholders. (Koprlová, 2008). Branch environment barriers are easier to change than external environment barriers by a company. Barrier of internal environment are caused by managers, employees and interfunctional coordination. Elements of internal environment is the most easiest to change of all environment by managers. This paper is aimed to managers, especially strategic management, and its influence on market orientation.

Managers have important influence on implementation of market orientation. They influence both other elements of internal environment - employees and interfunctional coordination. They are influenced by their personality, perception of market orientation, knowledge, skills and commitment. These all elements influence management style, mission, goals and strategy. Therefore, managers influence all seven prerequisites for market orientation – creativity, sense of risk, competence, responsibility, long-term horizon, planning and monitoring filling of goals (Figure 1) (Tomášková, 2009).
Manager’s knowledge, skills and commitment are one of the main strength or weak sides of all company. Harris and Ogbonna (2001) stressed this barrier. Managers have to know that doing a good business is never-ending story in their education. They need some skills for being a good manager and they need sense of commitment. Managers should to have a lot of skills however it is impossible to have whole skills. Situation is similar at commitment as well. Every manager should have enough of commitment especially towards customers, employees, suppliers, citizens, environment etc. However, manager should have enough of commitment towards him (or her) self and his (or her) family. There is not the right share of skills and commitment. Every branch, every situation needs specific skills and commitment; it is difficult to state ideal share and universal of whole skills and commitment. The same situation is with knowledge. It is better to have a lot of knowledge, but quantity of knowledge changes along to business. Farrell (2000) has noticed that managers should have a high learning orientation. The other question connected with knowledge, skills and commitment presents experience. Inexperience could be reason for ending of the business. Harris (1998) sees a great in weak management support. It is obvious that without management support is very difficult to be market oriented and to be successful in market. Attitude towards education and commitment is influenced by personality of a manager. Personality of managers influences mission, goals and strategy as well.

Strategic management is especially connected with mission, goals and strategy. It is necessary to have determined clear and feasible conception of its mission. After that, it is possible to determine goals and to choose the best strategy to fulfil goals. Activities of company will be done more systematically and company will be successful (Fonfara, 2001).
Mission, goals and strategy are prerequisite for long term horizon of a company. This barrier is mentioned by e.g. Harris, 1998. However, there are some companies with mission, goals and strategy which lead to short term horizon. They want to make money and then leave the position. Nevertheless, long term horizon of business is at the first place for the most managers.

Mission, goals and strategy influence making of plans of managers as well. Planning is a necessary part of strategy and has the same importance as other factors. A high quality planning system has positive impact on all activities of company. Company will make all important activities; and these activities will be done on time. Therefore, a high quality planning system has the potential leading to enhance market orientation (Pulendran, Speed & Widing; 2000) and to increasing of business performance.

Monitoring filling the goals contribute to confirm of good selected strategy and fulfil mission. Monitoring filling the goals allow regular analysis, if the goals are still leading to mission. Correction of goals belongs to response on new information and advantages on the market. Monitoring filling the goals closes the whole cycle of strategic management.

Strategic Management in Market Orientation at Hi-tech Firms

Strategic management in market orientation was realized by questionnaire constituted by Tomášková (2005) along the “New Method”. This questionnaire was realized for measurement of market orientation and includes statements about strategic management as well as. We have used 7 point Likert scale. The “New Method” includes external environment elements, branch environment elements and internal environment elements of a company according to conception presented above. Whole questionnaire was measured of internal consistency with Cronbach alpha and was used for measuring market orientation at power industry in the Czech Republic (Tomášková, 2005).

Questionnaire was used at hi-tech firms in the Czech Republic. The project research included the data gathering during the first half of 2009. The surveyed sample consisted of firms classified as hi-tech companies according to the CZ NACE codes utilized by, e.g., the Czech Ministry of Industry and Trade. For the purposes of our research project, manufacturing companies operating mainly in mechanical and electric engineering sectors (NACE codes 3x xxx) were selected. The database of the Kompass Czech Republic Company was used make the selection.

A total of 450 firms were included into the main research. The firms were contacted over the telephone and asked to personally participate in the survey, or to fill in a questionnaire in electronic format on the Internet. The data harvested from the questionnaires were converted to electronic format were analyzed by standard statistical methods as well as other sophisticated techniques. Incomplete questionnaires were discarded when checked. Data from only 88 companies were used for further processing.

It was selected 9 statements of all from the questionnaire which respond with currently approaches of strategic management:

1. We regularly identify important opportunities and threats, which could have an impact on business.
2. We regularly monitor the development of demands of current and prospective customers.
3. We try to predict behavior of our main competitors.
4. We know strong and weak points of our main competitors.
5. We offer products reflecting the latest demands and wishes of customers (distributors).
6. Every worker is acknowledged with main objectives of the organization and knows how to contribute to their achievement.
7. We pay attention to further education of our employees.
8. We take a positive approach to innovations.
9. We prefer reaching long-term goals to short-term ones, the achievement of a certain market share to financial goals.

These statements show basic conception in strategic management which is long-term horizon, regularly analysis, knowledge all employees about the main goals of firm, orientation at customers and competitors as the main stakeholders of firms. These statements are completed about the new knowledge which is still education (learning organisation) and innovation. Results of the research are shown in the Table 1.

Average of all statements at all hi-tech firms is 5.18. Statements related to strategic management have higher value than average value, except 1st statements (5.07) and 3rd statements (5.08). Reason for the first answer could be that external environment is stable in the Czech Republic. There are no significant political turbulences, economic is stable for a long time, and Czech law is coordinated with law of EU. Reason for the
third answer could be explain that every hi-tech firm has its own customers, does not have necessity for searching potential customers and often does not get customers from the competitors. It is possible to say that this branch show searching of niche and differentiation strategy. This assumption is not valid for whole branch. These two statements are the main standard deviation of all monitored statements at strategic management part.

Table 1. Results selected statements at hi-tech firms

<table>
<thead>
<tr>
<th>Statement</th>
<th>Average value</th>
<th>Standard deviation</th>
</tr>
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<tbody>
<tr>
<td>We regularly identify important opportunities and threats, which could have an impact on business.</td>
<td>5.07</td>
<td>1.31</td>
</tr>
<tr>
<td>We regularly monitor the development of demands of current and prospective customers.</td>
<td>5.77</td>
<td>1.16</td>
</tr>
<tr>
<td>We try to predict behavior of our main competitors.</td>
<td>5.08</td>
<td>1.42</td>
</tr>
<tr>
<td>We know strong and weak points of our main competitors.</td>
<td>5.37</td>
<td>1.28</td>
</tr>
<tr>
<td>We offer products reflecting the latest demands and wishes of customers (distributors).</td>
<td>5.67</td>
<td>1.22</td>
</tr>
<tr>
<td>Every worker is acknowledged with main objectives of the organization and knows how to contribute to their achievement.</td>
<td>5.69</td>
<td>1.17</td>
</tr>
<tr>
<td>We pay attention to further education of our employees.</td>
<td>5.74</td>
<td>1.26</td>
</tr>
<tr>
<td>We take a positive approach to innovations.</td>
<td>6.06</td>
<td>0.96</td>
</tr>
<tr>
<td>We prefer reaching long-term goals to short-term ones, the achievement of a certain market share to financial goals.</td>
<td>5.34</td>
<td>1.30</td>
</tr>
</tbody>
</table>

Statement with highest value from the questionnaire (not only at strategic management statements) refers about the relationship of firms toward innovation (6.06). This result is not surprising for chosen branch. This assumption confirmed standard deviation as well as. Standard deviation at this statement is the lowest of all statements (0.96).

The same situation is at education. Statements measured attitude toward education are two; oriented on managers and oriented on employees. Statement oriented on education of managers investigates their relationship toward innovation which was mentioned above. This attitude is very high (6.06). Statement oriented on education of employees is formulated on seven position statement. Value of this statement is the third highest of all (5.74).

From this reason is possible to say that every successful high-tech firms has to have positive relationship towards innovation and education. These results respond with the new knowledge of strategic management. Basic conception of strategic management does not play the main role. Hi-tech firms orient especially on their customers and internal environment. Competitors placed at the second level.

Discussion and conclusion

New approach toward strategic management developed in 90th of 20th century as well as development of market orientation. It could be the reason for that both of these approaches are constituted on the similar principles. New theory of strategic management forces education and innovation. Market orientation is based on conception of learning organization and innovation process as well as. Market orientation is constituted on base of strategic management. For that reason, strategic thinking can introduce one of the most important barriers of implementation market orientation. Deficiencies in the strategic thinking enforce short-term horizon, enforce current profit and forget about future challenges.

Results from the research show that hi-tech firms in the Czech Republic use the main principles of strategic management as well as they implement the new knowledge about strategic management into managing of companies. Managers of hi-tech firms determine vision and goals and they monitor reaching of these goals. Managers of hi-tech firms prefer education of employee and herself education and innovation process. Hi-tech firms stress internal environment and customers. Competitors do not play the main role. Some barriers can be seen with regularly gaining and regularly analysis all of necessary information from the market especially about competitors and suppliers.
Our recommendation for the next future research is to realize the some research in other branch. Results can be interesting for comparison if the same outcomes are valid in the other branch. The same research can be realized in other country for comparison if hi-tech firms in the Czech Republic are the same or similar outcomes. The third recommendation is to realize detailed analysis of market orientation and strategic management and determine the main differentiations. Fourth, it could be interesting to monitor development of strategic management and market orientation. The goal is to analyse if the both theories have the same development.

References