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Effects of Strategic Orientation on Performance of
Telecommunication Sector in Nigeria

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Abstract
The study explores the potential influences of strategic orientation constructs of entrepreneurial, market and technology orientations on telecommunication firms' performance using data obtained through structured questionnaires from 57 line managers and 300 customers of these firms. The data collected were subjected to the structural equation modeling technique. The results revealed that strategic orientation has a positive significant relationship with firm performance. Specifically, it showed that only technology orientation has a significant influence on telecommunication firms' performance. The study contributes to the understanding of the rationale behind which set of strategic orientations should be implemented for improved level of performance in the telecommunication sector.

Keywords: Strategic Orientation, Technology Orientation, Market Orientation, Entrepreneurial Orientation, Performance

1. Introduction

The conduct of business today is not an easy task because the environment in which business operates is characterised by a high level of uncertainty coupled with market unpredictability and intense competition. To achieve strategic competitiveness is not easy for managers particularly when at the firm level there is a lack of clear direction and understanding of what actually drives performance. Therefore, the need for firms to behave strategically by developing and executing effective strategies that enable them exploit opportunities in the market place is important. According to Slater, Olson and Hunt (2006), strategic perspective is needed in the form of strategic orientation that deals with broad outline for strategic actions and direction for firms operating in turbulent business environments. Strategy not only influences and directs the conduct of business but also is used to respond to new opportunities that lead to the foundation of long term business bottom line (Sinkovics & Roath, 2004) as
well as competitive advantage that results in superior performance (Porter, 1985). According to Habbershon, Williams and MacMillan (2003), performance outcomes that enable enterprise to attain sustained high level of competitiveness overtime is at the heart of strategic management process. For instance, researchers have regularly been concerned with what business strategy leads to superior performance? The answers to some researchers have been if firms can carefully analyse market dynamism and display market orientation, have a high entrepreneurial tendency and exhibits inventive and creative strategies, they will maintain sustained superiority in the market (Jaworski & Kohli,1993). Thus, Tutar, Nart and Bingol (2015) conclude that if firms are both market oriented and entrepreneurial oriented, it means they are strategically oriented. Strategic orientation is a philosophy geared towards reaching higher performance through executing value driven tasks (Gatignon & Xuereb, 1997). It is a body of strategic management research which deals with identifying and examining the relationship between business strategy and performance (Avci, Madanoglu & Okumus, 2011). Also, Slater and Hult (2005) note that managers place different emphasis on their strategic behaviours and select strategic orientation dependent upon not only what they wish to attain for organisations, but also for the society in which business is conducted. For example, if firms lay emphasis on creating value always, it will not only meet but also exceed customers’ needs and expectations, and should be predisposed to customer and technology orientation (Day, 1994).

Although studies on strategic orientation are modest, the majority of the studies were carried out in developed countries and little is known about strategic orientation and performance relationship in the telecommunications industry in transition economy (Li & Liu, 2014) particularly in Nigeria where it has been neglected. As noted by Rauch, Wiklund, Lumpkin and Frese (2009), to assume that strategic orientation and performance relationship will yield homogeneous results in different national climes and the economic sector will be misleading. Besides, little has been known in the literature among strategic orientations dimensions that are inventive and creative for providing customer value particularly in the telecommunication sector which should deal with quality service to facilitate business operations. The telecommunications sector in Nigeria since its deregulation has helped in making available easy and efficient ways of satisfying the communication needs required to promote and enhance trade (Balogun, 2000). It has improved the information accessibility, promoted job opportunities for both skilled and unskilled thus, changing the tides of way businesses were conducted (Vanguard Newspaper, 2016; Nkordeh, Bob-Manuel & Olowononi, 2017). The sector as one of the largest telecommunications markets in Africa has had incredible contribution of about 8.8% to the GDP (NBS, 2015). Nevertheless, their inability to strategic orient which Ndukwe (2003) posits leads to inter hurdles in the form of inability to meet customer demands and expectations on one hand and persistence customer complaints of poor service has been facing this sector for a very long time. To this end, the study seeks to examine how the strategic orientation of the telecommunication sector affects its performance.

This study is adopting multiple strategic orientation as regularly used because Hakala (2011) argue that they are mutually supportive and that isolated perspective is often found to be problematic (Cadogan, 2012). Besides, studies by Baker and Sinkula (2009) and Gonzalez-Benito, Gonzalez-Benito and Munoz- Gallego (2009) have adopted combinatorial forms of strategic orientation and demonstrated that it is better to study the combined effect rather than a fragmented single strategic orientation approach. In this regard, the study adopts the most researched of the dimensions of strategic orientation which is decomposed into market orientation, technology orientation, and entrepreneurial orientation factors that have been widely used to measure firm’s performance in order to identify the most important which will exert much influence.

2. Literature Review

2.1 Strategic Orientation

Strategic orientation is an important necessity which is needed by organizations to behave strategically in order to achieve success. It reflects the concept which firm has of the competitive actions in the environment and its reactions to these conditions. Hakala (2011) notes that it is the fundamental guiding beliefs that direct and influence firm’s activities, and generate the intended behaviours for its viability and performance. It can be said to be the pattern of responses that organization make to its operating environment for performance enhancement. According to Teece, Pisano and Shuen (1997), strategic orientation is concerned with how a firm adapts to its external
environment through its internal capacity to create proper behaviours for superior performance. Several aspects of strategic orientation have been identified in the literature, such as market orientation, entrepreneurial orientation, customer orientation, cost orientation, innovation orientation, competitor orientation, learning orientation, employee orientation and interaction orientation (Grawe, Chen & Daugherty, 2009).

Market orientation according to Slater and Narver in 2000 as cited in Ejdys (2014) involves knowing and understanding customers and competitors as well as creating superior value for buyers that will lead to continuous superior business performance. Market orientation essentially provides the underpinnings for planning and executing strategies that aim to deliver customer satisfaction accomplish and sustain competitive advantage.

Entrepreneurial orientation describes an entrepreneurial approach to the styles, ways and practices of decision making. It refers to the business perspective encompassed and used by an enterprise, the firm level of behavior, the management practices, the owner behavior and an approach that anticipates new market and product needs (Kreiser, Marino & Weaver, 2002). Entrepreneurial firms are characterized as autonomous, aggressive toward competition, proactive, innovative and willing to take risks (Laukkanen, Nagy, Hirvonen, Reijonen & Pasanen, 2013).

Technological orientation is the firm’s predisposition to acquire, possess and use large sophisticated technologies for the purpose of developing new products and services (Gatignon & Xuereb, 1997). This means that technological orientation deals with not only using new technology, but also investing more on research and development and meeting new needs of new and existing users of firm’s products when firms critically leverage on their resources. In a generalised view, it is the firm’s behaviour to engage in exploratory and exploitative innovation for continuous customer value creation.

2.2 Firm Performance

The successful operation of a firm determines its performance. Because firm performance is a multidimensional concept, a comprehensive view of performance is needed to consider it as not only financial, but also non-financial performance. While financial view is considered as lagging indicator, the non-financial indicators are known as prominent performance measures (Paranjape, Rositter & Pantano, 2006; Niven, 2002). Multiple performance dimensions have been used in the literature such as sales growth, market share, profitability, stock turnover, customer satisfaction, customer service return on assets, and return on investment (Lumpkin & Dess, 1996). Reijonen, Hirvonen, Nagy, Laukkanen and Gabriëlsson (2015), Deutscher, Zapkau, Schevens, Baum and Kabst (2016) and Avci et al. (2011) argue that financial measure is not sufficient for understanding organizational performance because of the complexity of factors variables, hence, non-financial performance has increased in use. This study uses the subjective and self-reported measures by the line managers which are consistent with (Smart & Conant, 1994).

3. Materials and Methods

The study was carried out in Southwestern states in Nigeria. There are six states in southwest Nigeria. These are Ekiti, Ondo, Ogun, Oyo, Osun and Lagos State. There is full presence of all the Nigerian telecommunication firms in Southwest Nigeria. The operational headquarters of the telecommunication firms are also located in one of the States (Lagos State) with almost the highest population and one of the largest commercial cities in Africa which may affect the number of telecommunication subscriptions in Nigeria. The population for this study comprised all the major telecommunication firms in Nigeria. These are MTN, GLO, AIRTEL, 9mobile and the infinite number of customers. The population of interest in the telecommunication firms includes the marketing managers, business development managers, operations managers and IT managers from each of the 4 major telecommunication companies in each of the three (3) states covered namely Lagos, Oyo and Ondo states. In total the study targeted a population of 48 telecommunication managers. In addition, the customer care staff of these firms was included to gauge performance occasioned by the frequency of complaints by customers. Since the numbers of customer care staff are spread in state offices of the telecommunication firms, three (3) customer care staff was included in the population in each of the sample states to give nine (9) additional numbers. In total, 57 respondents were
covered in the telecom firms. Purposive and random sampling techniques were used for this study. The choice of purposive is due to specificity of the study to telecommunication firms’ orientation strategies. Due to the size of the target population, all the 57 respondents from the telecom firms were sampled. In order to ensure efficiency of data collection, random sampling of telecommunication subscribers was carried out at each of the telecommunication offices. Preliminary survey showed that most customers besieged telecommunication offices to physically lodge complaints due to the ineffectiveness of online mediums for customer service. Since the population of customers is also infinite, random sampling was used to select 100 respondents from each of the sample states. In total, 300 customers were randomly selected. Data was collected through the use of structured questionnaire which was largely constructed on a 5-point Likert scale with the exception of performance measures which were put on nominal scale. Strategic orientation was measured using market orientation, entrepreneurial orientation, technology orientation adapted from Panda (2014) while organizational performance, represented by non-financial performance, was adapted from (Hernaus, Bach & Vuksic, 2012). The data collected were subjected to descriptive and inferential techniques.

4. Results and Discussion

4.1 Results

4.1.1 Effect of Strategic Orientation on Performance of Nigerian Telecommunication Firms

Results in Table 1 show the goodness of fit indices of the SEM model. The indices of goodness of fit include the ratio of chi-square to degree of freedom, comparative fit index, normed fit index, relative fir index, incremental fit index, Tucker-Lewis index and RMSEA. The estimated values of the indices fall within the expected and acceptable standards. The ratio of $\chi^2/df$ is 4.21 which fall within the expected range of 0 and 5. All the other indices also fit into the acceptable range. The CFI is 0.720; NFI is 0.686, RFI is 0.535, IFI is 0.728, TLI is 0.585, and RMSEA is 0.026.

| GOODNESS OF FIT INDICES | CONSTRUCT | REFERENCE VALUE |
|-------------------------|-----------|-----------------|
| $\chi^2$/degree of freedom | 4.21 | $1<\chi^2/df<5$ |
| CFI (Comparative Fit Index) | 0.720 | $0.95<CFI<1$ |
| NFI (Normed Fit Index) | 0.686 | $0.90<NFI<1$ |
| RFI (Relative Fit Index) | 0.535 | $0.90<RFI<1$ |
| IFI (Incremental Fit Index) | 0.728 | $0.95<IFI<1$ |
| TLI (Tucker-Lewis Fit Index) | 0.585 | $0.95<TLI<1$ |
| RMSEA (Root Mean Square Error) | 0.026 | RMSEA<0.08 |

4.1.2 Path Analysis of Strategic Orientation to Performance Outcome of Telecommunication Firms

The path analysis of the model is presented in Figure 1. The market orientation is represented by a number of constructs including engagement in market orientation (sm1), market sensing and customer-linkage (sm2), market adaptation (sm3) and introduction of market orientation products (sm4). Its contribution to performance is 0.29. The entrepreneurial orientation is represented by the firm ability to grab external opportunities (se1), proactiveness in taking risky decisions (se2), firms’ inventive ability (se3), and proactive innovations (se4). The entrepreneurial orientation contributes 0.01 to performance outcome of the firms. The technology orientation of the firm accounts for 0.45 of the firms’ performance outcome and it is represented by product differentiation and competitive product design (st1), effective response to customers’ preferences (st2), bias towards technology application in product and marketing effort (st3) and acquisition of superior technological background (st4).
Figure 1: Path Analysis of Strategic Orientation on Performance

The Estimated Effect of Strategic Orientation on Performance

Following the appropriateness of the SEM specification (Table 1), regression model was specified within structural platform to determine the effect of strategic orientation on the performance of the telecommunication firm. Results of the analysis are presented in Table 2. Both market and entrepreneurial orientations do not have significant effect on the performance of the firm. However, technology orientation exerts a significant effect (p<0.05) on the performance outlook of the telecommunication firms. The effect of technological orientation is positive suggesting direct relationship with performance in the telecommunication firms. The results further imply that strategic orientation of telecommunication firms should tilt more towards technology since every unit increase in technology orientation of the firms is expected to yield positive performance outcomes.

Table 2: Estimated Effect of Strategic Orientation on Performance

|          | Estimate | S.E. | C.R. | P    |
|----------|----------|------|------|------|
| Perf     | Market   | 1.059| 2.291| .462 | .644 |
| Perf     | Entrepreneur| .016| .812 | .020 | .984 |
| Perf     | Technology| 1.856| .667 | 2.784| .001 |

4.2 Discussion

The analysis of effect of strategic orientation on performance of Nigerian telecommunication firms shows that strategic orientation requires a number of strategic components. These include market orientation, entrepreneurial orientation and technology orientation. Each of these strategies is further represented by a number of strategic sub-factors. Respectively, the findings revealed that technology orientation, market orientation and entrepreneurial orientation are important strategic orientation factors in the order presented. This finding positions technology orientation as a critical strategic factor in the telecommunications firms. Technology in a firm promotes creative effort of the firm (Obeidat 2016). Technology superiority determines the acceptability of the products and services provided in the market because customers prefer quality goods and services (Ibrahim & Shariff, 2016). This result is in line with the findings of Zhou and Li (2010) which maintain that technological orientation assists telecommunication firm with factors needed to satisfy customers through provision of quality service and high level telecommunication services and products. According to Hakala (2011) and Salojari, Ritala, Sainio and Saarenketo (2015), a technology oriented firm has the inclination to acquire new and advanced technology for both exploratory and exploitative innovation which involves designing better products to the market, develop new
processes, services, redesigning and repackaging existing products hence, contributes immensely to the long-term success of firm and improvement of business performance. The expected outcome from good service delivery occasioned by sound technological orientation is positive performance. Consequently, the estimated effect of technological orientation through structural equation modeling is positive and significant.

Table 2: Estimated Effect of Strategic Orientation on Performance

|                | Estimate | S.E. | C.R. | P    |
|----------------|----------|------|------|------|
| Perf <--- Market | 1.059    | 2.291| .462 | .644 |
| Perf <--- Entrepreneur | .016 | .812 | .020 | .984 |
| Perf <--- Technology | 1.856 | .667 | 2.784 | .001 |

5. Conclusion and Recommendations

The study calls for empirical tests to identify strategies and actions that can help telecommunication firms attain superior performance using a combination of technology orientation, market orientation and entrepreneurial orientation as constructs of strategic orientation. The study provides an all en-compassing analysis of which strategic orientation constructs that has effect on telecommunication firms in Nigeria. The study revealed that only technology orientation is critical and thus, has positive significant relationship with performance. Although, the result did not go in line with many of previous studies carried out in other firms other than telecommunication sector in other contexts, it contributes to the understanding of the rationale behind which set of strategic orientations that will always help in advancing new products to respond to customer demands and expectations should be implemented for improve level of performance in the telecommunication sector in the Nigeria business environment. Besides, the study helps to shed light on effects of strategic orientation on performance of telecommunication sector which has not been given any attention and also provide an underlying fact on the need to invest on advanced technology in order to always deliver customer value for sustained competitive advantage.

6. Limitation of The Study

The study is not but without some limitations that may impinge on its generalisability. It was carried out at the corporate headquarter cities of the most prominent mobile GSM operators in only three states. The study was cross-sectional and because strategy is never static (Atuahene-Gima & Ko, 2001), hence may not cover the dynamics of changes in strategic orientation. Therefore, future research on strategic orientation may utilise a longitudinal study.

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