

## What should Top Management do for Increasing Business Performance?

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### Abstract

There have been many studies conducted on business performance. Nevertheless, research on this issue in corporate users of space technology has never been done. This study tries to fill the literature gap, particularly on the use of variables such as strategic control, strategic orientation, business environment, and competitive strategy. This study employs the Partial Least Square Structural Equation Modelling (PLS-SEM) equation. The unit of analysis and observation unit of present study are a company that uses consumer technology products, and company management, respectively. Strategic control, strategic orientation and business environment are the variables that have a positive and significant impact on competitive strategy and business performance. However, competitive strategy does not indicate the indirect effect of strategic control, strategy orientation and the business environment on business performance. This at once denied the results of previous research that makes competitive strategy as a mediating variable to support business performance. The findings of this research are referred to as business performance models of enterprise users of aerospace technology.

**Keywords:** Strategic control; Strategy orientation; Business environment; Competitive strategy; Business performance

**JEL Classification:** M 0

### Introduction

In recent years, strategic control, strategy orientation, business environment, and competitive strategy continue to focus on academic and business interests [1-4]. This study examines how competitive strategy mediates the effect of strategic control, strategy orientation, and business environment. The examination of strategic control was based on Pratistha's [3] scheme. Similarly for strategy orientation and business environment, this study examine the dimensions of both from the previous studies [4-7]. And for competitive strategy's dimension used scheme Porter's [8] from. Most study analyze the influence of strategic control on business performance [9-15]. The using of strategic control scheme can make the company run well all budget year long. This scheme is also looking for that dimension that can give the most contribution for the strengthening business performance. Strategic control play significant role for company in achieving the goals [10]. Strategy orientation selection also can influence on business performance [16-24]. Thomson [25] also explained that strategy orientation is so important to face competitive business environment by critically explore company's resources and achieve competitive advantage. Business environment must be a crucial factor for company to increase their overall performance [26-30]. Gul [31] shared the views about business environment and stated that it is a source which well accepted the uncertainty of environment that can impact the business performance. The competitive strategy appointed by the company has significant influence for the achievement of company's business performance [16,19,28,32]. Slater et al., [21] then explained that competitive strategy has relation with pattern of managerial's choice to create the market, serve the market's wants, and how the business create more value for the customer than competitors do. This study uses the method of PLS-SEM. The data collection method is an e-mail questionnaire. For the PLS-SEM method, information from the study uses information from 34 top managers in 34 companies who are users of space technology. The maximum and significant contribution of this study is for identifying the significant variable that will influence of business performance.

### Theory and Hypothesis

The study in the field of strategic control, strategy orientation,

and business environment of the company has significantly advanced in recent years. Three of them have significant impact on a company for running their business. The results from studies by Johnson et al., [33] and Le and Jorma [34] indicate that strategic control have positive influence on competitive strategy. While other studies suggested that the competitive strategy have influenced by strategy orientation [35-37]. According to Kafchehi et al., [37] strategy orientation has significant influence on competitive strategy. Courtney et al., [38] explained that business environment can be another variable for influencing competitive strategy. The studies by Courtney et al., [38] and Slotegraaf and Dickson [39] have explained that the scanning process of both internal and external environment can be very important for developing the strategy.

H1: Strategic control, strategy orientation, and business environment significantly influences on competitive strategy (Figure 1).

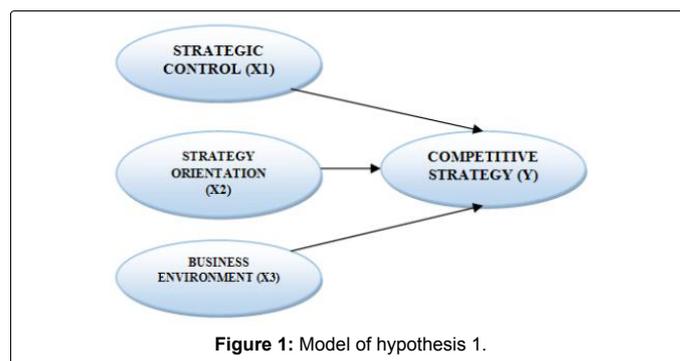


Figure 1: Model of hypothesis 1.

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Kisia et al. [14] explained that strategic control has positive and direct influence on business performance. Whereas, Wanjohi [13] specifically explained that strategic control has positive and significant impact on financial performance. Some previous studies suggested that the strategy orientation also can be another factor that creates company's performance [16-24]. In the other research's results, Ibrahim and Primiana [29] showed that business environment has positive influence on business performance [29]. The results from Ibrahim and Primiana [29] also fully supported by the studies of Chand and Fraser [26]; Zeng et al., [27]; and Awino and Kariuki [28].

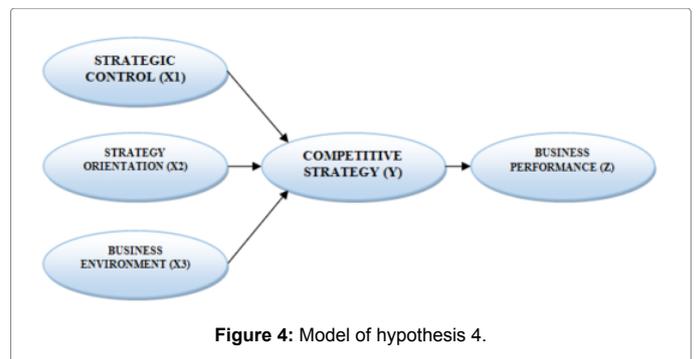
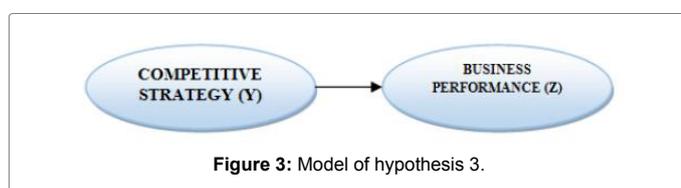
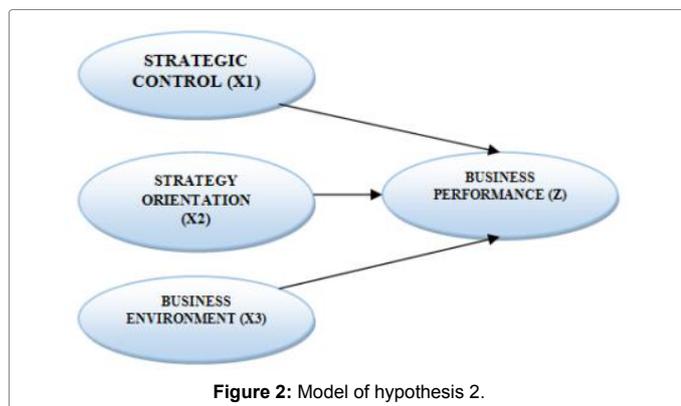
H2: Strategic control, strategy orientation, and business environment significantly influences on business performance (Figure 2).

Competitive strategy is a very crucial component for achieving business performance [40]. The influences between these variables were also identified by Dowling and McGee [41]. The result from Dowling and McGee [41] was also supported by the studies of Justin and Litschert [16], Kotha and Swamidass [32], Pelham [19], and Awino and Kariuki [28]. Ge and Ding [20] place competitive strategy as mediating variable to explain the relation between strategy orientation and business performance.

H3: Competitive strategy significantly influences on business performance (Figure 3).

The role of competitive strategy as mediation variable previously stated by Kotha et al., [32], who explained that competitive strategy was capable of mediating advanced manufacturing technology to influence a company's business performance. The role of mediation from competing strategy towards business performance has been tested and gives an impact [42]. It is then validated by studies of Taggart [43], Roth et al., [44], and Kostova and Roth [45]. The latest research explains that the mediation role can also be played by the competitive strategy [2]. This study describes that competitive strategy variable can be a mediation variable from strategic control, business environment, and orientation strategy to influence business performance.

H4. Strategic control, strategy orientation, and business environment significantly influences on business performance through competitive strategy (Figure 4).



## Research Design

### Sample

The target of population is the companies which uses the space technology in Indonesia. The study takes the companies associated with National Institute of Aeronautics and Space Republic of Indonesia. From year 2012 to 2016 questionnaire was mailed to the top manager for the survey. At the end of the process, 34 manager's responses were valid.

### Measurement of variables

The independent variables are strategic control, strategy orientation, and business environment. For measuring strategic control involves four dimensions: feedback control, feed forward control, fast-forward control, and espionage control. Strategy orientation was measured by three dimensions: technology orientation, customer focus, and innovation orientation. And business environment was measured by two dimensions: internal environment and external environment (Table 1).

## Results and Findings

The result of business performance R square value above (0.897), and F count calculation is obtained with the amount of:

$$F \text{ count} = (R^2 / (k-1)) / ((1-R^2) / (n-k))$$

$$F \text{ count} = (0.897 / (3-1)) / ((1-0.897) / (34-3)) = 134.98.$$

The value of said F count is then compared with the value of F table on the distribution table F student.

Referring to the value of  $\alpha=0.05$ ;  $n=34$ , and  $k=3$ , the result is F table with the amount of 3.30. The result of the value of F count (134.98) is larger than the value of F table (3.30), therefore H1 is accepted. It then proves that strategic control, strategic orientation and business environment simultaneously have a significant effect on the business performance of the company who uses space technology products.

The result of R square value of business performance above (0.897), the outcome is the calculation of F count with the amount of:

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$$F \text{ count} = (0.897 / (3 - 1)) / ((1-0.897) / (34-3)) = 134.98.$$

The value of said F count is then compared with the values of F table on the distribution table F student.

Referring to the value of  $\alpha=0.05$ ;  $n=34$ , and  $k=3$ , the result is F table with the amount of 3.30. The result of F count value (134.98) is larger than the value of F table (3.30), therefore H2 is accepted. It then proves

that strategic control, strategic orientation and business environment simultaneously have a significant effect on the business performance of the company who uses space technology products. From the calculation, we have a path coefficient of competitive strategy towards business performance partially in the amount of 0.227. Then, the result of boot strapping shows that the path coefficient 0.227 produces the value of t count in the amount of 1.77. Referring to the condition where t count is smaller than 1.960, then H3 is not rejected, therefore proving the fact that competitive strategy does not have a significant effect towards the business performance of the company who uses space technology products (Figure 5).

From the result of previous calculation, we have a path coefficient from strategic control towards competitive strategy in the amount

Variables	AVE	Chronbach's alpha	Composite reliability
Strategic control	0.631	0.816	0.856
Strategy orientation	0.615	0.837	0.872
Business environment	0.600	0.739	0.823
Competitive strategy	0.665	0.783	0.844
Business performance	0.594	0.871	0.895

Table 1: AVE, Chronbach's alpha and composite reliability.

of 0.245 with a 1.27 t count and path coefficient from competitive strategy towards business performance the amount of 0.227 with a 1.77 t count. Both paths are perceived as insignificant, therefore it can be concluded that strategic control does not have a significant effect on business performance through competitive strategy. As for the amount of the value of indirect effect of strategic control towards business performance through competitive strategy the amount of  $0.245 \times 0.227 \times 100\% = 0.055$  or smaller than the effect of strategic control towards business performance directly. It shows that competitive strategy acts as a partial mediation variable for the effect of strategic control towards business performance.

From the result of the previous calculation, we have a path coefficient from strategic orientation towards competitive strategy in the amount of 0.208 with a 1.33 t count 1.33 and path coefficient from competitive strategy towards business performance in the amount of 0.227 with a 1.77 t count. Both paths are perceived as insignificant, therefore it can be concluded that strategic orientation does not have a significant effect towards business performance through competitive strategy. As for the amount of indirect effect value from strategic orientation towards business performance through competitive strategy the amount of  $0.208 \times 0.227 \times 100\% = 0.047$  or smaller than the

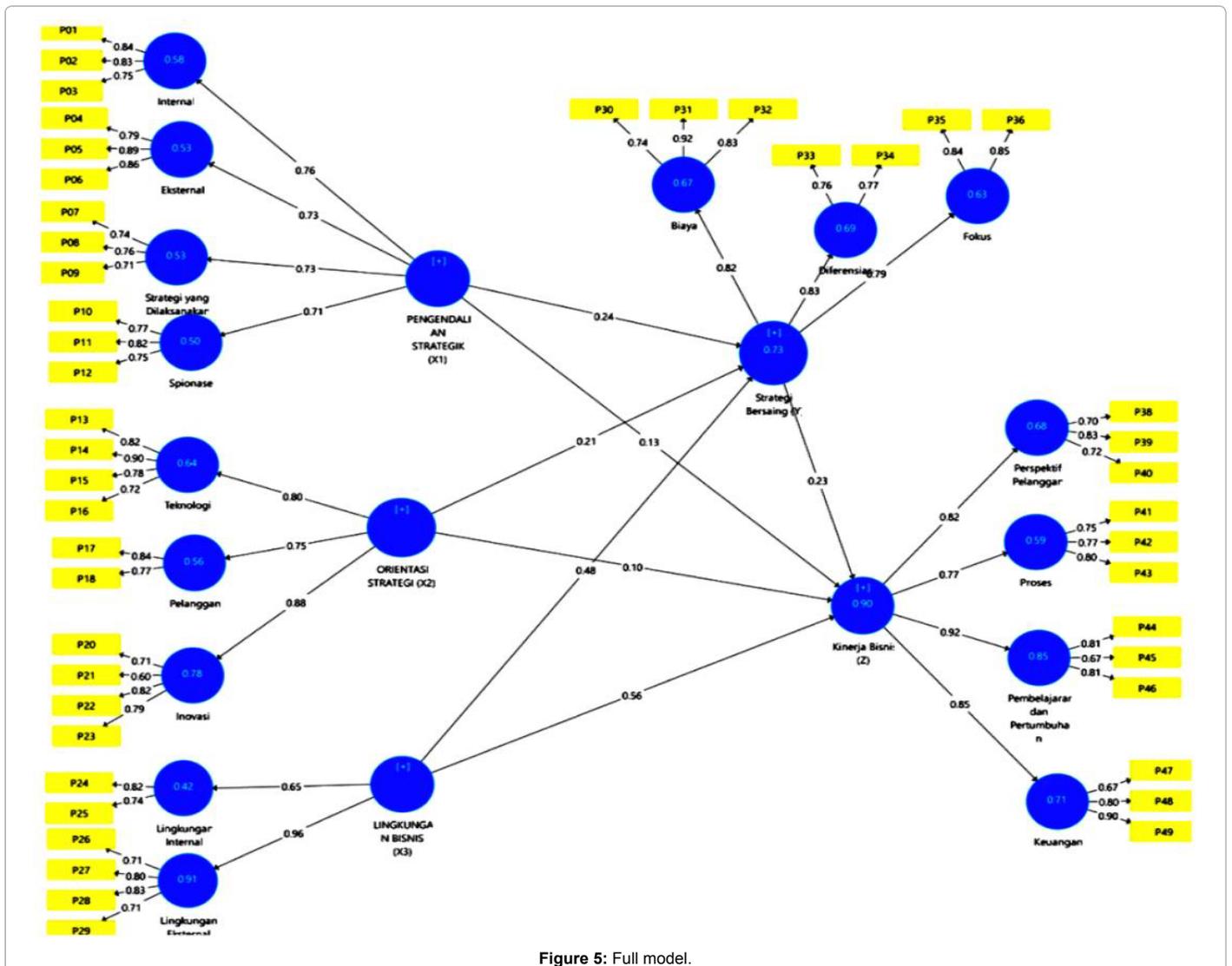


Figure 5: Full model.

effect of strategic orientation towards business performance directly. It shows that competitive strategy acts as a partial mediation variable for strategic orientation effect towards business performance. The test result towards the role of competitive strategy variable in mediating strategic orientation towards business performance also supports a previous research by Ge and Ding [20].

From the previous calculation result, we have a path coefficient from business environment towards competitive strategy the amount of 0.481 with a 2.53t count and a 0.227 path coefficient from competitive strategy towards business performance with a 1.77t count. Both paths are perceived as significant, therefore it can be concluded that business environment has a significant effect towards business performance through competitive strategy. As for the amount of indirect effect value from business environment towards business performance through a  $0.481 \times 0.227 \times 100\% = 0.109$  competitive strategy or smaller than the effect of business environment towards business performance directly. It shows that competitive strategy acts as partial mediation variable for business environment effect towards business performance.

## Conclusions

Business environment has a larger effect towards competitive strategy compared with strategic control and strategic orientation. Business environment also shows a bigger influence towards business performance. An 89.7% value shows that the chance that happens to business performance is caused by the change in strategic control, strategic orientation and business environment which cause the change in competitive strategy. It also indicates that a manager must pay attention to the right strategic control development, the right strategic orientation selection, a good scan on the company's business environment, and pay attention to the right competitive strategy selection in the company's effort to increase its business performance.

## Limitations

This study has limitations where the interview has not been carried out by involving many relevant parties. This is important to enrich the narrative explanation that has previously been supported through statistical calculations. For further research, this study can be refined by taking into account more variable quantities with more research time spans.

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