THE INFLUENCE OF STRATEGIC CONTROL, STRATEGY ORIENTATION, AND BUSINESS ENVIRONMENT ON COMPETITIVE STRATEGY AND ITS EFFECT TO BUSINESS PERFORMANCE

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ABSTRACT

Top managers of firms provide a strategic control as a defence mechanism to anticipate the change from their business environment. And they also should create the best strategy orientation to formulate a suitable competitive strategy, especially in companies who are users of Indonesian space technology. This article used literature review to develop theory and proposition concerning (a) the relation among strategic control, strategy orientation, and business environment; (b) the relation of strategic control, strategy orientation, and business environment on formulating competitive strategy; (c) the relation between competitive strategy and business performance. The result shows that there are relations between its variables to achieve business performance in companies who are users of Indonesian space technology.

Key Words: Strategic Control, Strategy Orientation, Business Environment, Competitive Strategy and Business Performance.

INTRODUCTION

The dynamic changes of strategies within the Indonesian space technology development reasons an adaptive strategy action is necessary. This has to be taken account by companies who are users, as with it they will have a precise strategy to compete with. This adaptive strategy action can be a strategic control, such as controlling the premise that function as the company’s basic strategic plan that proceeds to commercialize Indonesian space technology. As commonly known, commercialization of Indonesian space technology is still very low. This is caused by the low level of technology absorption (Source: Global Technology Information Report, 2015). The low level of technology absorption causes research and development activities to be low as well therefore its affects in low business performance too (Mizik and Jacobson, 2003). Such opinion is also supported by Xuenan Ju, et al. (2015).

In the effort to support the company’s business performance can be measured from the strategic control process (Hoskisson and Hitt, 1982; Geringer and Hebert, 1988; Strempek, 1997; Lazonick and Prencipe, 2005; Ndeegwa, 2013; Kisia, et al 2014; Maroa and Muturi, 2015), strategy orientation selection (Tan and Litschert, 1994; Wright, et al, 1995; Avlonitis and Gounaris, 1997; Strempek, 1997; Pelham, 1999; Ge and Ding, 2005; Slater, et al, 2006; Grekoval, 2010; Hemati, et al, 2013, Nakola, et al, 2015), business environment (Chand and
Fraser, 2006; Zeng, et al, 2010; Awino and Kariuki, 2012; Ridwan Ibrahim and Ina Primiana, 2015; and Prajogo, 2016), and the competitive strategy appointed by the company (Tan and Litschert, 1994; Kotha and Paul, 1999; Pelham, 2009; and Awino and Kariuki, 2012).

In its connection with the dynamic changes of the environment, the strategic control has an important role in controlling mechanism that is able to make the company competes. Meanwhile, it also takes a significant role in processing the indecisive environment and increasing performance (Tan and Litschert, 1994; Luo and Peng, 1999; Hitt, et al., 1982; Covin and Slevin, 1989; Ramaswamy, et al., 1994; Desarbo, et al., 2005). In its relation to business environment, the company’s main ability to read its environment and able to quickly adapt to changes will be able to generate the right competitive strategy (Courtney and Viguerie, 1997; Slotegraaf and Dickson, 2004; Wijbenga and Witteloostuijn, 2007; and Awino and Kariuki, 2012).

![Figure 1](https://example.com/figure1.png)

**Figure 1**

**STRATEGIC CONTROL SCHEME (PICTURE WAS TAKEN FROM B. PRATISTHA, “BUILDING A STRATEGIC CONTROL MODEL FOR SPACE TECHNOLOGY PROGRAM IN INDONESIA”, 2016)**

Evaluating the cause of the low level of business performance from companies who are users of Indonesian space technology requires empirical analysis. To provide a foundation for that analysis, this article develops theory and propositions concerning the relation among strategic control, strategy orientation, and business environment, the relation of strategic control, strategy orientation, and business environment on formulating competitive strategy, and the relation between competitive strategy and business performance. This article also requires synthesizing several literatures; the article begins with an organizing framework and a brief overview to knowing the relation among the variables.

**THE RELATION OF STRATEGIC CONTROL, STRATEGY ORIENTATION, AND BUSINESS ENVIRONMENT**

According to Pearce and Robinson (2007), the strategic control is a management effort to detect an undergoing strategy, detect problems or chances under assumptions, and generating
necessary adaptations. The control towards the strategy is a critical concept to a successful management and performance achievement (Geringer and Hebert, 1988).

According to Atkinson (1990) the strategy orientation is very crucial for companies to reach their performance achievement. Slater, et al (2006) explained strategy orientation define the whole strategy, yet also it details the contents and implementations of the strategy in order to reach it fully.

**Figure 2**

STRATEGY ORIENTATION SCHEME (PICTURE WAS ADAPTED FROM V. ISOHERANEN, ET AL, “STRATEGY ORIENTATION ANALYSIS IN THE MOBILE PHONE CASE BUSINESS”, 2011)

The business environment defines the relevant information route in sets the purpose and decision-making through managerial perception (Selznick, 1948). Consequently, Duncan (1972) explained that the business environment as social and physical factors totality is the terms of a company’s consideration in decision making.

**Figure 3**

Its relation to strategy orientation, its application implicates towards the strategic control (Fiegener, 2011; Callaway and Jagani, 2015). In his research, Fiegener (2011) explains that the strategy orientation has a significant influence towards the strategic control variable.

Tan and Litschert (1994) explain that the environment variable, which has a high influence towards the strategy orientation. Kumar, et al (2011) strengthens this statement as strategy orientation and external environment if combined will result a positive performance for the company.

Sim and Teoh (2011) argued that the business environment has a relation towards the strategic control. Yet, Sim and Teoh (2011) also stated that the combination of strategic control and business environment result a significant relation towards the strategy.

FORMULATING THE COMPETITIVE STRATEGY

Competitive strategy is very important to a company, as with its precise implication then the company will be able to compete in a very tight era. According to Widokarti (2013) the competitive strategy is a choice from an organization to be able to compete. This strategy is much related to the environment and its effect towards the business performance. This is supported by the previous theory by Kim and Lim (1988).

According to Johnson, et al (2002) the choice to compete has to be evaluated with the purpose to choose the right strategy. Johnson, et al (2002) research results are supported by Huu Le and Jorma (2009) research results that stated strategic control has a positive relation with competitive strategy. Meanwhile Govindarajan and Fisher (1990) only argued that there is a connection between strategic control and competitive strategy. Strategy orientation has a positive and significant connection towards competitive strategy, especially low cost strategy (Menguc, et al, 2007). Similar statements also expressed by Xuenan Ju, et al (2015) and Parviz, et al (2016) that strategy orientation can set competitive strategy. According to Parviz, et al (2016), strategy orientation, such as orientation innovation, has a significant influence towards competitive strategy.

Courtney and Viguierie (1997) theorize a turbulent environment needs to be analyzed to decide on the best strategy. The same train of thoughts also expressed by Slotegraaf and Dickson (2004) that scanning the business environment, internally and externally, are needed to build strategy. Even so, in Awinio and Kariuki (2012) research refers a weak connection between business environment and competitive strategy. A different research undertaken by Wijbenga and Wittleloostuijn (2007) express that the strategic control, if combined with the environment, will have a significant connection towards performance.

Thus it can be summarized from these literature reviews that strategic control, strategy orientation, and business environment are factors to formulate a company’s competitive strategy (see Figure 4.).
THE RELATION BETWEEN COMPETITIVE STRATEGY AND BUSINESS PERFORMANCE

The performance was part of the end result of the company’s internal activity, especially in the relation to the utilization of the company strategy resources. In the effort of performance achievement, the company was also influenced by the company’s external factor, such as the economy, politic, technology evens the government condition. In its practice, the business performance can be identified financially or operationally. Financially would be such as the market development (Deshpande, et al, 1993; 1998), sales volume (Deng and Dart, 1994), and its level of profit through return on assets (Daft, et al, 1988). Besides from financial factors in the business performance measurement, a measurement on non-financial factors can also be taken account. Such non-financial factors are the customers’ reputation (Rajiv, et al, 2000), customers’ loyalty and workers reputation (Ittner and Larcker, 2003). Chiesa and Frattini (2007), even research activities and development can also become indicators of measurement towards non-financial performances.

Competitive strategy is an important component that affects the performance (Temtime and Pansiri, 2004 in Ridwan Ibrahim and Ina Primiana, 2015). Dowling and McGee (1994) has also identified there are relation between these two variables, as there is a significant interaction between competitive strategy and performance. Dowling and McGee (1994) argument goes along with Tan and Litschert (1994), Kotha and Paul (1999), Pelham (2009), and Awino and Kariuki (2012). Yet, Ge and Ding (2005) suggested differently, describing that between competitive strategy and performance (financially) there are no significant relation. Ge and Ding (2005) explained competitive strategy as moderating variable thus clarifies strategy orientation and performance relation. Acquaah and Ardekani (2008) research explained that combined competing strategies would result an incremental performance for the company, compared to companies that are only applying only one on their competing strategies.
CONCLUSION

Based on these train of thoughts through theories and previous researches – also empirical studies, the result of the research on companies who are users of Indonesian space technology shows that the business environment influences the company’s chosen strategy orientation and strategic control that was being built. Meanwhile, the strategy orientation also has a relation towards the strategic control that the company has developed in facing the dynamic business environment. This research also shows that competitive strategy in companies who use Indonesian space technology was formulated through strategic control, strategy orientation and business environment. Lastly, this research indicates that the chosen competitive strategy can influence the business performance (see Figure 5.) Therefore, it is very clear that the variable that shapes the business performance are strategic control, strategy orientation, business environment, and competitive strategy. It is also indicates that in order to support business performance of companies who are users of Indonesian space technology must try to execute the strategic control to anticipate the changing of business environment, the correct strategy orientation establishment and the competing strategic formulation that is compatible with the company’s condition.

Figure 5
THE RELATION OF STRATEGIC CONTROL, STRATEGY ORIENTATION, BUSINESS ENVIRONMENT, COMPETITIVE STRATEGY, AND BUSINESS PERFORMANCE

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SUGGESTION FOR FUTURE RESEARCH

This research is still based on literature review to explain the relation between its variables. It is hoped that the future researches could be undertaken through statistic data to explain these variables interrelation in numbers. This will aid to observe which variable influences the most in a company’s development of competitive strategy and its business performance.

REFERENCES


