

HOW SUITABLE IS THE STRATEGIC ORIENTATION  
CONSTRUCT? AN EXPLORATION INTO STRATEGIC  
ORIENTATION, ADAPTIVE CAPABILITY, SLACK  
AND FIRM PERFORMANCE LINKAGES:  
EVIDENCES FROM INDIA



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## Abstract

Worldwide, in three decades, the churning at the top three slots has increased seven folds (Harvard Business Review, 2011), thus putting a big question on sustainability of competitive advantages. Environmental uncertainty may exacerbate the vulnerability of firm's capabilities, rendering non-sustainability of competitive advantages (Sirmon et al., 2007; Breton-Miller and Miller, 2015). Firms of transition economies operate under high environmental uncertainty (Peng et al., 2004; Li et al., 2006; Meyer et al., 2009). Therefore, re-establishing the sustainability of competitive advantages and finding suitable constructs to capture the same, particularly in context of transition economies, appears to be the key challenge facing strategy scholarship. Adaptive capability (AC), strategic orientation (SO), organizational slack (OS), appear to be three promising constructs, in the aforesaid endeavor.

In my thesis, I adopted a three essay format to investigate the linkages and outcomes of the aforesaid constructs, with a special emphasis on SO construct. The first essay investigates mediating role of adaptive capability on SO-firm performance linkages, which is less researched in the literature. SO has been used from the taxonomical perspective of Venkatraman (1989). Adaptive capability construct comprises of four dimensions-organizational adaptive capability, technological adaptive capability, marketing adaptive capability and adaptive capabilities in non-market environment. For the purpose of examination, data from 218 firms was collected across the industry and partial least square based SMART PLS (Version 3) analytical tool was used for data analysis. Findings suggest mediation of AC on SO-performance linkage while SO-performance linkage (direct effect) was not found significant.

In the second essay, given the outcome in the first essay (i.e. the mediating role of AC on SO-performance linkage), I investigated the SO-performance and SO-slack linkages using ownership and institutional uncertainty as moderating variables. The context selected is the Indian banking sector. SO was used from typological perspective (Miles & Snow, 1978) as *reliable* secondary data from all 46 commercial banks (of Indian origin) were available. Findings suggest the association of strategic orientation with slack. However, no significant difference in performance of the firms adopting different strategies was found, given changes in levels of institutional uncertainties.

Given the findings in the two previous essays, the third essay looked into the relative merit of undertaking the two approaches w.r.t. SO – performance. SO has been considered a stable construct that tend to provide guide to the firm to optimize the entrepreneurial problem, engineering problem and the administrative problem, under different environmental conditions. Two streams exist in SO literature: (1) the typological approach (Miles and Snow, 1978) and (2) the taxonomical approach (Venkatraman, 1989). The present study appears to suggest that taxonomical approach, in the presence of a capability based mediator is associated with performance, while the typology failed to establish any significant performance difference, both the studies being conducted in the context of institutional uncertainty.

**Keywords:** *Strategic Orientation, Adaptive Capability, Firm Performance, Organizational Slack*

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