

The Contingency Relationship between Strategic Orientation and Competitive Advantage: The Influence of Environment Uncertainty

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ABSTRACT

Positioning theory and resource-based theory are both influential in strategic management. However, the two theories hold opposite views on “resources of competitive advantage” and put forward opposite strategic orientation suggestions. This paper argues that the two theories should be viewed from contingency perspective, which means that the two theories are of paramount importance for firm under different strategic conditions. The paper introduces a contingency variable, environment uncertainty, to the model of strategic orientation and competitive advantage. Data are collected through questionnaire survey, and moderated regression analysis is used to test the effect of environment uncertainty on the relationship between strategic orientation and competitive advantage. The research results indicate that under an environment with high uncertainty, enterprises that follow the resource-based view for strategic construction will get better performance and competitive advantage. The paper provides a new angle to evaluate the contributions of the two theories.

Keywords: *Strategic orientation, Positioning theory, Resource-based view theory, Environment uncertainty, Competitive advantages*

1. INTRODUCTION

Competitive advantage is the core of strategic theory research. “Looking for sources of competitive advantage” has been an important topic in the research of strategic management. There are two famous strategic theories that reveal the sources of competitive advantage. Position theory thinks that industry structure elements are the sources of competitive advantage, and strategy should be outside-in oriented. Strategic task is to adapt to the industry environment and find the best market position, which is known as positioning theory, competitive strategy view or market base view; the other holds that the valuable and scarce resources that an enterprise can control are the basis of competitive advantages. The strategic focus should be on the development and utilization of specific resource capabilities, and the strategic planning should be in-outside oriented, which is called resource-based view or resource-based view (RBV).

How should enterprises choose between industry positioning and resource construction? Which theory should be followed for enterprise strategy basis and planning path? Despite many studies, it remains inconclusive. In recent years, some studies believe that both industry factors and enterprise resources contribute to competitive advantage. For example, enterprise resources influence performance through competitive actions, or industry factors influence performance through strategy.

But if we follow the above research logic—resources – strategy (or competitive action) - industry structure - performance, the basis that enterprises gain competitive advantages is the resources. The enterprise strategy should be in-outside oriented to plan according to the resources, and strategic focus should also be the resource capacity of enterprises. Obviously, this view is in accordance with RBV opinion, and does not reflect the balance and integration of both. In addition, the rationality of taking industry structure, a factor that cannot be completely controlled by the enterprise, as an intermediate variable is questionable.

This paper holds that the impact of industry factors and enterprise resource on competitive advantage is not orderly and simultaneous, however, there is a contingency relationship between them and enterprise performance. An empirical research points out that when the industry change and change the enterprise existing market position, its effect on enterprise performance is less than the state when the industry structure is stable[1]. Therefore, this paper argues that environment uncertainty has a regulating effect on the relationship between industry factors, enterprise resources and enterprise performance, which determines the degree of contribution to the competitive advantage.

2. THEORETICAL BASIS

2.1. *The Difference Between Positioning Theory And Resource-Based View*

It is generally believed that the difference between positioning theory and RBV can be made according to their perspectives in strategic analysis.

2.1.1. *Different understandings of the sources of competitive advantage*

Positioning theory is that industry structure has a decisive and restricted function to the enterprise strategic actions, and five forces of the industry influence the durability of the enterprise competitive advantage. RBV holds that strategic resources are the source of competitive advantage. Based on RBV related researches, the strategic resources of enterprises mainly include enterprise reputation, product reputation, staff knowledge, enterprise culture, organizational ability and innovation ability[2].

2.1.2. *Different process of strategic analysis*

According to the positioning theory, since industry structure has a strong effect on the establishment of competition and strategic choice, so enterprises could determine what to do and how to do after industry scanning and structure analysis. Therefore, strategic analysis process is carried out with outside-in oriented. RBV puts forward in-outside oriented strategic building method. Enterprise strategy is both dependent on and subject to the present situation of enterprise resources, and enterprises should select market and determine positioning according to its resources.

2.1.3. *Different key strategies*

According to the positioning theory, effective strategy is to establish a well-founded position under the pressure of five forces, and the key task of enterprise strategy is to locate and build defense barriers. RBV argues that enterprise strategy is to cultivate and maintain strategic resources and then select the competitive fields where those resources can be used. Therefore, resources and capabilities are the key tasks of enterprise strategy.

2.1.4. *Different basis of strategic analysis*

In strategic analysis, the two most common and important issues are the identification of competitors and the selection of market opportunities. According to the positioning theory, enterprises should identify competitors according to the strategic similarity of each enterprise.

When choosing market opportunities, we should look for market opportunities from the place where the strength is weak and the gap is easy to appear according to the analysis of the five forces model.

RBV believes that when identifying and analyzing competitors, enterprises with similar strategic resources should be regarded as the most direct competitors. When looking for market opportunities, we should look for opportunities that can give full play to the advantages of the enterprise's strategic resources and make the enterprise perform well. Without resource guarantee, no matter how good the positioning is, it's useless.

2.2. *Contingency Impacts of Environment Uncertainty*

Strategic management theory has always emphasized that strategy should match or adapt to the environment of the enterprise. Environment uncertainty is an evaluation of the complexity and dynamic nature of external factors with constant changes faced by enterprises. Uncertainty leads to the lack of necessary information for enterprises to make decisions, which has a great impact on enterprises to maintain their competitive advantages[3]. Environment uncertainty generally includes the following contents: unpredictability (including lack of information), means "inability to predict the likelihood of future events" or "lack of information about causality". Dynamic (including change and turbulence) refers to the fast and large range of change [4].

Uncertainty is a very important environmental factor, which can destroy the durability of the enterprise competitive advantage. A lot of researches focus on the contingency impacts of environment uncertainty to enterprises, that is, it has regulating effects between the relationship of a variable and enterprise performance, such as the research of entrepreneurial orientation and competitive advantage, strategy types and competitive advantage, strategy choice and performance study. environment uncertainty is always an important adjustment variable.

3. RESEARCH HYPOTHESIS

Studies suggest that in a changing environment, the enterprise is hard to find the competitive position with advantages, and adopting external guidance is also hard to provide reliable basis and foundation for enterprise's long-term strategy. However, the enterprise's own resources endowment can help enterprises to define business and make strategy choice, providing a more stable and reliable basis for strategy making[5]. Under a changing environment, it is more appropriate for the enterprise to change the strategic basic problems from "who is the customer? what do they need?" to "what can we do? Whose needs can be met".

Some studies believe that environment uncertainty will increase non-structural market problems, leading to discontinuity of production and products. In this context, innovation is often the most useful means of competition, because innovation leads to technological update and improvement of production efficiency and brings new products that customers have never thought of. Innovation ability enables enterprises to greatly avoid strategic risks caused by the difficulty in predicting the behaviors of competitors and customers[6]. In addition, the organizational capability of an enterprise is highly dynamic[7], which keeps the enterprise flexible and helps the enterprise to constantly update its competitiveness, which is also a guarantee for the survival of an enterprise in an uncertain environment.

In the studies of specific industries, the results indicate that resources are in an uncertain environment. For example, in banking, for example, organizational capacity, technical expertise and innovation have the greatest impact on bank performance and competitiveness. In the dynamic pharmaceutical industry, the establishment of competitive ability is the primary task for the sustainable development of enterprises. In an industry affected by globalization, organizational ability is the most important weapon for business success.

Relatively speaking, the basic point of positioning theory is competitive forces, entry barriers and bargaining power. However, in an environment with high uncertainty, since it is difficult to predict the behavior of competitors and customers, or even completely unpredictable, it is hard for enterprises to determine which method or means to strengthen their competitive force and bargaining power.

Finally, in the research interview, the author found that many interviewees tended to forget the environment or choose to ignore it under the environment with high uncertainty and focused on the management of internal resource capacity.

In summary, this paper believes that RBV is more helpful for enterprise strategy in an environment with high uncertainty. According to the research of Quan's (2011), two concepts including "positioning orientation" and

"resource orientation" are used in this paper to represent two theoretical viewpoints respectively[2]. Therefore, the research hypothesis is:

H: Under the circumstance of high environment uncertainty, resource-oriented enterprises have higher performance than positioning-oriented enterprises. On the contrary, in the case of low environment uncertainty, positioning-oriented enterprises have higher performance than resource-oriented enterprises.

4. RESEARCH DESIGN AND DATA ANALYSIS

4.1. Measurement Scale and Test

"Strategic orientation" is designed based on research of Spanos(2001) and Quan(2011), which reflects the importance of positioning orientation and resource orientation in industry structure elements, the importance of resource and difference of strategic analysis model, which includes three dimensions, 21 items[8, 2] . Among them, the first two dimensions use Likert scale 7 and the latter use semantic difference scale 7. The first dimension requires a pretreatment to reverse the scores. Low score means enterprises are more inclined to "positioning orientation"; On the contrary, the enterprises tend to be resource-oriented.

"Environment uncertainty" adopts the scale of Miller (1986) and mainly reflects the degree and unmeasured degree of market and technological changes [9].

"Enterprise performance" adopts the scale of Spanos (2001) and measures the finance and market performance of enterprises. According to the specific situation of the financial analysis of Chinese enterprises, this paper changes "margin profit" into "sales profit margin". The specific contents of scale and reliability test results are shown in Table 1.

Table 1. Measurement scale and reliability index

Scale	Dimension	Item	Scale source	Reliability (Cronbach α)
Strategic orientation	Understanding of the importance of industry structure element	(1) Competition among competitors Including: product competition, promotion competition, sales channel competition, after-sales service competition, price competition (2) Threats from new competitors (3) Threats of substitutes (4) Negotiation power of suppliers (5) The negotiating power of the customers	Spanos, etc, 2001	.681
	Understanding of resource importance	(1) Brand image (2) Employee knowhow (3) Corporate culture (4) Organization ability Including: integration ability, learning ability, reorganization and change ability (5)Innovation ability	Quan, 2012	.774

Cont. to Table 1.				
	Strategic analysis model	(1) Starting point of strategic analysis (2) Basis for determining strategic objectives (3) Key tasks of the strategy (4) Criteria for identifying competitors (5) Basis for identifying opportunities	Quan, 2012	.781
Environment uncertainty		(1) Changes in marketing strategies (2) Product update speed (3) Difficulty in predicting competitors' actions (4) Difficulty of customer behavior prediction (5) Change rate of production technology	Miller, 1986	.705
Enterprise performance		(1) Return on net assets (2) Net profit (3) Net interest rate on sales (4) Sales volume (5) Growth rate of sales (6) Market share (7)Growth rate of market share	Spanos, etc, 2001	.918

4.2. Sampling

The sampling selected is the MBA students and the sampling standard is to participate in enterprise strategic planning and decision-making. It's common to take MBA students as samples in foreign research. To prevent the MBA education from affecting response, this study subdivides the samples: students with admission less than half a year, students preparing for the thesis, EMBA students, students graduated 2 years or above (graduation time of 2 years to 11 years). The analysis of variance shows that the respondents have no response differences, indicating that the MBA education has no effect on the survey and sampling is representative. A total of 362 questionnaires are sent, with recycling effective questionnaire 348 copies.

The data is analyzed by adjusted regression, and the dependent variable is enterprise performance. Model 1 includes the main influence of independent variables "strategic orientation" and "environment uncertainty". In Model 2, in addition to the above two variables, the interaction between the two variables is also included. Table 2 shows that Model 1 is not significant; Model 2 is significant. In the case of increasing the interaction effect, the change in R² is .146; The interaction effects in Model 2 have a significant and positive impact on enterprise performance. It shows that environment uncertainty and strategic orientation do interact with enterprise performance. In addition, the value β of "strategic orientation" and "environment uncertainty" is negative, indicating that positioning orientation contributes more to enterprise performance in a low uncertainty environment. Therefore, the hypothesis is true.

4.3. Data Analysis and Conclusion

Table 2. Adjusted regression analysis of Environment uncertainty

<i>Independent Variable</i>	Model 1 Standardized coefficient (β)	Model 2 Standardized coefficient (β)
Strategic orientation	.014	-.521**
Environment uncertainty	-.029	-.1.157***
Strategic orientation×Environment uncertainty	--	1.499***
R-squared (R ²)	.001	.147
Changed value of R ²	--	.146
Value F of the model	.056	4.316**

Note:**p<.01, ***p<.001

5. CONCLUSION

This paper has verified the contingency impact of environment uncertainty on the strategic orientation, which provides a new research perspective for the arguments of two famous strategic management theory.

This view not only accords with the core idea of the contingency theory, but also answers a problem that the strategic management research has been pursuing from a sideways perspective: how does the strategy fit with the environment to make it more effective. At the same time, it has made contributions to the status quo where in order to change the lack of empirical research to contribute to

change the status quo of lack of empirical research in RBV field.

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