Strategic Determinants of Organizational Performance of Small Business – a Preliminary Study Outcomes and Research Perspectives on the Sample on Brazil and Poland

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Keywords: Small business, Organizational performance, Strategic orientation, Miles and Snow typology

Abstract. Contemporary enterprises are forced to act in a dynamic and competitive local and global market. Particularly for small business, this great challenge becomes a barrier for organizational development and results rather in a survival strategy with low organizational performance. In the same time it is essential to create friendly conditions for small business development and small business growth because these kinds of companies are the employers for local communities and hence they contribute to a reduction of the national unemployment rate for global economy. However these conditions are possible to shape when knowing the determinants of organizational performance. Taking this into account, the aim of the article is to describe the preliminary study on defining organizational management patterns of small business in Brazil and Poland that are starting point to learn a typology of strategies and asses the strategies under such criteria as ability to prevent market risks and stabilization of competitive positions. The method used in the study was a survey based on multi-item scale for strategic types containing 11 adaptive cycle dimensions in the Miles and Snow typology. These dimensions will be linked to data on management particularities, work organization and performance in small business.

Introduction

Strategic orientation is related to the strategic direction of an organization according to the environment and can be defined as “the strategic directions of an organization in order to create the proper behaviours for the continuous superior performance of the business” [1]. Strategic orientation evolves processes, practices, principles and decision-making styles that guide firms’ activities [2,3]. Studies on strategic orientation are concentrated in the literature on strategic management and strategic marketing and there is no consensus on its typology. In the studies, especially, in strategic management[4] two principal typologies and variations appear more frequently: Porter’s generic strategies and the Miles and Snow’s strategic orientation [3]. Although both typologies could be related, the Porter’s generic strategies is focused on strategic position [5] while Miles and Snow understand the strategic orientation as a dynamic process where the strategic choice of top management is critical to establish the organizational structure and process [3]. So that, in the small business (where small business means small and medium sector SME) studies, Miles and Snow typology is widely used and
recommended as opposed to Porter’s strategy typology [4]. In addition, the Miles and Snow's typology complies with proposal of this study since it also focuses in understand the relationship between the strategic orientation and work organization. The Miles and Snow typology is based on theory that is denominated adaptive cycle that deals with entrepreneurial problem, administrative problem and engineering problem. The administrative problem involves the rationalization of structure and process and the engineering problem involves the choice of technologies for production and distribution. Both of these aspects determine the work organization of a firm. So, it is possible to conclude that an organization which has a consistent fit between strategic orientation and work organization could have a better performance and it is important to understand the relationship between both issues.

Derived from the strategic choices and the dynamic process of adaptive cycle, Miles and Snow propose four types of organization. This organization types characterize different approaches and perceptions of the decision markers about the operating environment. The four types of strategic orientation are: prospectors, analysers, defenders, and reactors [4,6].

Prospectors are focused on growth. Their actions are aimed to develop new technologies, products and markets. Defenders are usually positioned in a more stable and limited market. These organizations have more reactive approach than adaptive or innovative. The emphasis is on internal competitive advantage and in efficiency in their operations. Analysers pursue at the same time, enter new markets and have internal efficiency. The difference, compared to the prospectors and defenders, is that these organizations implement the expansion of activities more cautiously. An organization with reactor strategic orientation has less proactive actions. It focuses on reacting to the others actions and environmental pressures. The managers of this organization do not draw a clear strategic direction, they are being led by it.

Taking into account these considerations it can be concluded that the great competitiveness, which results among others from the market globalization, and hence the activities of international powerful corporations, compels on today’s small business notably aware approach to their strategic orientation and based on it to proper business behaviour. Because this behaviour is strictly connected to organizational performance that is one of the dimension of business success, there was formulated the study problem as a following question: what determines the organizational performance of small business that may be the key factor of business success and may have impact on organizational life cycle? The research has been performed in two different world regions: Sao Paulo in Brazil and Silesia in Poland. Such a choice gives an opportunity to conduct an exploration in different research comparative areas of both quantitative and qualitative. These areas refer among others to tests that provides information about the business trends of strategic organizations and their relationships with organizational performance. Particularly, the study is carried out on the background of Human Development Index (HDI), where Poland is placed on Very high human development with rank of 36 and Brazil is placed on High human development with rank of 75 [10]. Simultaneously, both Sao Paulo and Silesia belong to the most industrialized regions in their countries.

Considering the research background, the aim of this article is to describe the preliminary study on defining organizational management patterns of small business in Brazil and Poland that are starting point to learn typology of strategies. It is assumed that the results could be used to prevent market risks and stabilize competitive positions.

There were defined three detailed study objectives: a) identification of the strategic orientation profiles of Polish and Brazilian companies; b) recognition of relationships
between strategic orientation, work organization and organizational performance; c) recognition of relationships between average performance of the business and the type of strategic orientation.

**Small business characteristic in Brazil and Poland**

The research carried out in Brazil was focused in small business of metal-mechanic sector in the central region of Sao Paulo State.

In Sao Paulo State, small businesses represent 99% of all businesses, provide 49% of employment and generates 27% of GDP. 40% of small business is from services, 38% from agriculture, 9% from commerce, 4% from civil construction and 9% are from industry. In the industrial sector, metal-mechanic business represents one of the three main industrial activities, 17.1% of business is metal manufacturing or machine maintenance/installation business [7]. The central region of Sao Paulo was represented in this survey for four major cities in the metal-mechanic sector in the region: Sao Carlos, Araraquara, Matao and Sertaozinho.

Regarding Polish business it should be highlighted that it produces about 70% of GDP. In this the added value of small business amounts to almost 50% [11]. Hence this sector has the crucial value for economy in Poland.

Polish small business acts mainly in services and trade (76%). Regarding industry, the percentage is estimated above 10%. According to the analysis [12] the strongest industry region in Poland regarding its economy potential is Silesia However, the transformation of the industrial structure of the province and the region launched in the 90s, has contributed to the development of Silesia many new areas of the economy such as aerospace, glass and ceramics, innovative energy-saving technologies. Currently, in the province of Silesia the services bring the greatest added value to the overall gross economic result.

Focusing the consideration on manufacturing industry in Silesia Region it can be stated that mechanical-metal manufacturing industry dominates in total number of sold production.

**Material and Methods**

**Survey in Brazil**

The data were collected using a questionnaire multi-item scale to identify strategic types according of Miles and Snow typology of strategic orientation developed and validated by Conant, Mokwa and Varadarajan [8]. Besides there were collected data about performance in terms of sales growth and work organization in terms of structure of organizational design based on Mintzberg [9]. The questionnaire of work organization was first validated by interviews with experts and researchers in this field and a supervisor of local industry. After this phase suggestion for improvements was incorporated in the questionnaire. The full questionnaire was submitted to a pre-test with 03 businesses of the population and suffered some changes up to the final format.

The survey was conducted during the year of 2015 in small business of the central region of the Sao Paulo State, which represents a population of 143 enterprises. The selection of the sample was for convenience. The researchers tried to contacted all of business of database to schedule a meeting with the owners and fill in the questionnaire. The response rate was of 29%. The collected data were entered into an electronic plan and analysed by using descriptive statistics.
Survey in Poland

There was used in Poland the same questionnaire after translation to Polish. However the questions were first validated within interviews with two Silesian business experts acting in The Katowice Special Economic Zone (KSEZ). KSEZ was established by the Ordinance of the Council of Ministers of the 18th of June 1996. It is the leading Polish special economic zone due to the active development of investments. The research in Poland was conducted as a preliminary study with participation of 4 companies. Two surveys were preceded by interviews with owners, two others were filled online via website of Industrial & Technological Park in Zawiercie—one of the city from KSEZ area. Because of small number of filled questionnaires, all data were analysed by using descriptive method.

Results and discussion

Results from Brazil

The sample represented 29% of the population of small businesses of four cities in the central region of Sao Paulo and was composed from small business. Most of the business has operated for more than 20 years.

According to the preliminary analysis, most of strategic orientation of small business in Brazil are prospectors (29%) or defender (29%), observing that despite of metal-mechanic sector is traditional and less innovative industry compared to others, the consumer and market needs make these organizations to be concerned in developing new products and markets. Otherwise, there is still a representative number of companies in a more stable sector, they are more reactive than innovative and more focused on operational efficiency. Even a number companies (24%) are analyser.

The result emphasizes the need of today's business in having a defined strategic direction. Only 7% of the owners of small businesses have a view of an undefined strategic orientation (reactor). 10% of companies were classified as mixed strategic orientation. They might not be classified in one of the strategic types according to the criteria used in the questionnaire.

The results about work organization showed that almost 100% of small business in metal-mechanic industry has adopted a specialized work organization with great division of labour. These results indicate that the type of strategic orientation does not influence the work organization configuration. The nature of industry and how the production process should be organized has more influence for the variable work organization.

The business' performance was measured in terms of sales increase or decrease per year during the three last years. The average performance of small business was positive, but it is important to note that a significant number of companies had negative average performance. Thus, the average performance of the business and the type of strategic orientation was linked as Table 1.

<table>
<thead>
<tr>
<th>Strategic Orientation type</th>
<th>Performance 2011-2012</th>
<th>Performance 2012-2013</th>
<th>Performance 2013-2014</th>
<th>Average Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analyser</td>
<td>-0,04</td>
<td>0,56</td>
<td>0,12</td>
<td>0,21</td>
</tr>
<tr>
<td>Defender</td>
<td>0,08</td>
<td>0,13</td>
<td>0,16</td>
<td>0,12</td>
</tr>
<tr>
<td>Mixed</td>
<td>0,10</td>
<td>0,16</td>
<td>0,26</td>
<td>0,18</td>
</tr>
<tr>
<td>Prospector</td>
<td>0,18</td>
<td>0,20</td>
<td>0,11</td>
<td>0,16</td>
</tr>
<tr>
<td>Reactor</td>
<td>0,13</td>
<td>0,05</td>
<td>0,15</td>
<td>0,11</td>
</tr>
<tr>
<td>Total</td>
<td>9%</td>
<td>25%</td>
<td>14%</td>
<td>16%</td>
</tr>
</tbody>
</table>
According to the table above the analyser has higher average performance (21%) compared to other types of strategic orientation, followed by the prospector (16%), defence (12%) and reactor (11%).

This result differs from the literature that points prospector in higher performance than the others. Analysing the results carefully year per year, it may be noted that there was a great variation of analyser between 2012 and 2013. Examining these data, it was noticed that one business with this type of strategy has influenced this result, because that enterprise started the operations in late 2012 but has to work effectively in 2013, in the result this enterprises’ sales have tripled from 2012 to 2013 (300% increase). If disregard this difference can be noted that the prospectors have better performance compared of others. A simulation excluding the enterprise that started its operation in 2013 showed that result: prospectors with a positive variation of 16%, defenders ranging from 12% and analyst firms with a positive variation of 11% in revenues. This preliminary analysis has showed that more innovative business with prospector strategic orientation could have better performance than other business.

Results from Poland

All companies that took part in the survey are family small businesses from mechanical-metal manufacturing sector. The companies act in Zawiercie city and run at least over 10 years.

According to the questionnaires only one company declared strategic orientation of their business clearly as prospector. The average performance of it within years 2012-2015 amounts 26 percentage. The second company has mixed strategic orientation with small advantage on prospector. The average performance of this company is stated as -1.63%. However such a value is determined by a significant decline in revenue in the period of years 2014-2015. By the year 2014 the performance was estimated on the level of 5.41%.

Next two companies can be defined rather as defenders. However the strategic orientation has also signs of all of the rest profiles. In the same time the owners did not complete data about their revenues what makes it impossible to determine the degree of performance.

Taking into account this level of preliminary research outcomes it can be stated that prospector reflects higher performance than the others.

Independently from strategic orientation of analysed companies that are different, all of them indicated the same work organization profile which is characterized by following points: a) the workers execute the tasks on specialized way, there is a clear division of work in the production activities, work project and production operation activities; b) workers follow the tasks according with procedures previously defined by other sectors/department of the company.

This characteristic confirms the results achieved on the basis of Brazilian small businesses that the type of strategic orientation does not influence the work organization configuration.

Conclusion

The point of this study was to understand if a type of strategic orientation or work organization ensures greater organizational performance.

Despite the preliminary overtone of research the first outcomes give some data for general conclusions. For example, there is no clearly confirmation that strategic orientation as prospector determines better performance in the market. In Brazil the great performance is rather assigned to analyse strategic orientation. However, there is clearly relation between
prospector and better performance according to Polish research outcomes. In both surveys in Brazil and Poland there is no clear domination of strategic orientation profiles. Similarly there is no correlation between strategic orientation and work organization profiles. It is necessary to perform more deeply research in this area, especially in Poland.

Another area of future research touches problem of cultural factors influencing the strategy orientation of small business and business success. Consequently, knowledge about the effective business patterns may be helpful in defining determinants for development of both Polish and Brazilian small business by themselves.

References


