

EXPLAINING THE RELATIONSHIP BETWEEN STRATEGIC DIRECTION AND CORPORATE PERFORMANCE, CASE STUDY: IRAN KHODRO COMPANY IN IRAN

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Abstract. Strategic thinking creates motivation and commitment to the organization and its stakeholders. The motivation and commitment creates through the power in fact is simple and attractive. Manager's strategic thinking toward rapid learning of the business environment and the use of creativity to create new values engaged. The idea for the organization's survival and growth in today's competitive environment will be inevitable. Therefore, this study aimed to investigate the role of strategic direction to improve IKCO company performance is designed. The results of the study hypotheses based on the results of the Pearson correlation coefficient showed that in the univariate (correlation of each dimension of strategic orientation of the company's performance) all aspects of strategic orientation have a significant relationship via firm performance.

Keywords: Strategic direction, performance, innovation-oriented, competition-oriented, cost-oriented, employee-oriented, customer oriented, entrepreneurial oriented

1. Introduction

One of the most known and most widely used models of type of strategic relationship between strategic direction and performance of the company described, by Miles and Snow is provided. We live in a time when it is very changeable and complex undoubtedly, we need to continue nations and the human world that his weapons knowledge, expertise and knowledge, and above all they are a logical fit with our management. One of expertise led managers to assist organizations with the right strategic knowledge (Ansoff, 2002). As the first scientist who described the strategy as a comprehensive and meaningful. He believes that while the goals and activities of the organization is more consistent growth rate of development, will be larger and more regular. Managers must know what strategic thinking is and how this tool can be used for scoring goals. According to the environmental changes that have already taken a rapid pace and complexity of organizational decisions, the need to implement a comprehensive program to deal with these issues becomes more tangible than ever. It is not nothing but a strategic plan. Strategic management with dynamic mentality, forward-looking, holistic and contingency solution is

many things today's organizations. The foundations of strategic plans based on the understanding that managers from competing companies, markets, prices, raw material suppliers, distributors, governments, creditors, shareholders and customers who are located around the world and these factors are determinants of business success in today's world. After one of the most important tools for success in the future, organizations can benefit from "strategic plans". William Dirdon of Hershey's success and says his company considered strategic management ((life path is determined now by planning for long periods and no doubt that we are going in the future to rely on this process and to strengthen it.)) The aim of this study to know the relationship between strategic oriented on what affect the performance of IranKhodro Industrial Services Engineering company?

2. Research theoretical foundation

In today's dynamic environment, organizations gradually concluded that competitive advantage today for tomorrow's survival is not guaranteed. This will cause the pressure to impose organizations they learn how they can best improve their performance and their leading competitors. The strategic orientation of the company to use strategic guidelines for appropriate behavior refers to performance. Important aspect of this orientation can create shared values and behaviors within the organization noted. When this direction at all levels of the organization into an organization's culture will be expanded (slater et al., 2001). Performance should be defined as business results, because these results are the strongest relationship with the organization's strategic objectives, customer satisfaction and their economic participation (Bernadin et al., 1995). Three strategic directions that the researchers had the most attention to their work (Narver and Slater, 2005) and (Olsen et al., 2005) are: customer orientation, cost, rivals. It is based on a thorough review of the research literature on the six sides that include orientation, customer orientation, competitor-oriented, innovation-oriented, cost-oriented, employee-oriented, and entrepreneurial-oriented. Considering numerous studies conducted on factors affecting the performance of organizations but in the absence of strategic orientation of research are necessary (Morgan & Strong, 2003). According to the studies olson et al., (2005), the ultimate goal of superior performance in the long-term consolidation strategy based on this conceptual model was developed and is presented in Figure 1.

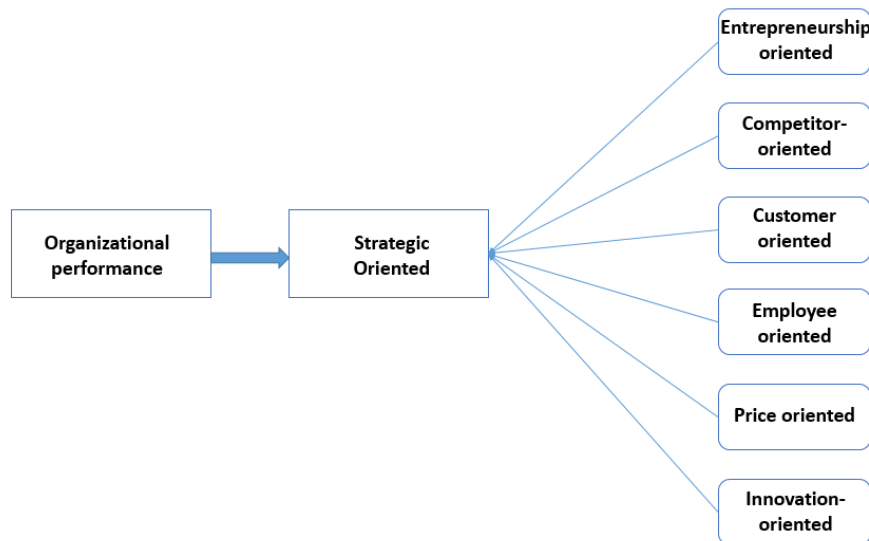


Figure 1. Research Conceptual Model

Based on the conceptual model, the study was designed to evaluate the following hypotheses:

- There is relationship between customer oriented and performance of Iran Khodro Industrial Engineering Services Company.
- There is relationship between employees oriented and performance of Iran Khodro Industrial Engineering Services Company.
- There is relationship between entrepreneurial oriented and performance of Iran Khodro Industrial Engineering Services Company.
- There is relationship between cost oriented and performance of Iran Khodro Industrial Engineering Services Company.
- There is relationship between competitor oriented and performance of Iran Khodro Industrial Engineering Services Company.
- There is relationship between innovation oriented and performance of Iran Khodro Industrial Engineering Services Company.

3. Research methodology

This study, descriptive and relational and in term of purpose is applied research. The population of this research managers and employees of Iran Khodro Industrial Engineering Services Company. The number was 1368 people. Cochran formula to determine the sample size and sample consisted of 300 people was used. In this study, the main tool for data collection is required. The questionnaire (Slater, 2001) containing 22

questions related to strategic orientation and 6 components of cost-oriented, innovation-oriented, employee-oriented, cost-oriented, competition-oriented, entrepreneur-oriented evaluated and 7 questions on the performance of each component is 3 to 4 questions. Moreover, during the various stages of its reliability and validity were examined and approved. Cronbach's alpha coefficient for both scale and all its dimensions higher than 7.0 were obtained. Overall, 60.7% of the sample were male and 39.3% were female. Based on the results of studies 14.7% of the studied sample has an associate degree and a lower, 54% bachelor and 31.4% are Masters and PhD. In the sample of the 54.7% between 31 and 40 years of age, then 24% of the studied sample are between 30 years and younger; the age of the sample was examined in 22 years and maximum age is 60 years and the average age of the respondents in the sample is 36 years. 20% of respondents in the sample have less than 10 years of experience, 66% of respondents have between 10 and 20 years of experience, 4.6% of respondents have a history of serving more than 20 years. The standard deviation of the average work experience of respondents 9.77 and 5.67 is to analyze the data, SPSS-20 and AMOS-20 software was used. (Bernadin et al., 1995)

4. Findings

To investigate the hypothesis, the correlation coefficients between examined the relationship between strategic orientation and performance and then examine the conceptual model was discussed.

Table 1. Pearson correlation coefficients between the variables

Relationship	Correlation coefficient	significance level	Coefficient of determination	Hypothesis
Customer oriented \leftrightarrow firm performance	0.49	0.000	0.24	First hypothesis
Employees oriented \leftrightarrow firm performance	0.54	0.000	0.29	Second hypothesis
Entrepreneurial oriented \leftrightarrow firm performance	0.31	0.000	0.09	Third hypothesis
Cost oriented \leftrightarrow firm performance	0.26	0.001	0.05	Fourth hypothesis
Competitor oriented \leftrightarrow firm performance	0.23	0.004	0.05	Fifth hypothesis
Innovation oriented \leftrightarrow firm performance	0.27	0.001	0.07	Sixth hypothesis

As the results in Table 1 show that there is a significant relationship between customer oriented with performance such that 24% of the variance is explained by loyalty ($r=0.49$; $0.05 > P$). Thus, the first hypothesis is confirmed.

Based on the results obtained in relation to the second hypothesis, there is a significant relationship between employees oriented and performance, so that 29% of the variance is explained by employee orientation ($r=0.54$, $0.05 > P$).

The third hypothesis results of the survey also showed that there is a significant correlation between entrepreneurial oriented and performance and 9% of the variance can be explained by entrepreneurial oriented ($r=0.31$; $0.05 > P$).

The results of the fourth hypothesis, the research also showed that there are significant correlations between cost-oriented and performance and 5% of the variance can be explained by the cost oriented ($r=0.26$; $0.05 > P$).

The results of the study of the fifth competitor-oriented research showed that there is a significant correlation with performance and 5% of the variance is explained by competitor-oriented ($r=0.23$; $0.05 > P$).

After examining the correlation between different aspects of strategic direction at the same time to study the role of Amos structural equation modeling software was used. Figure 2 shows the results of the study show relationships in the conceptual model.

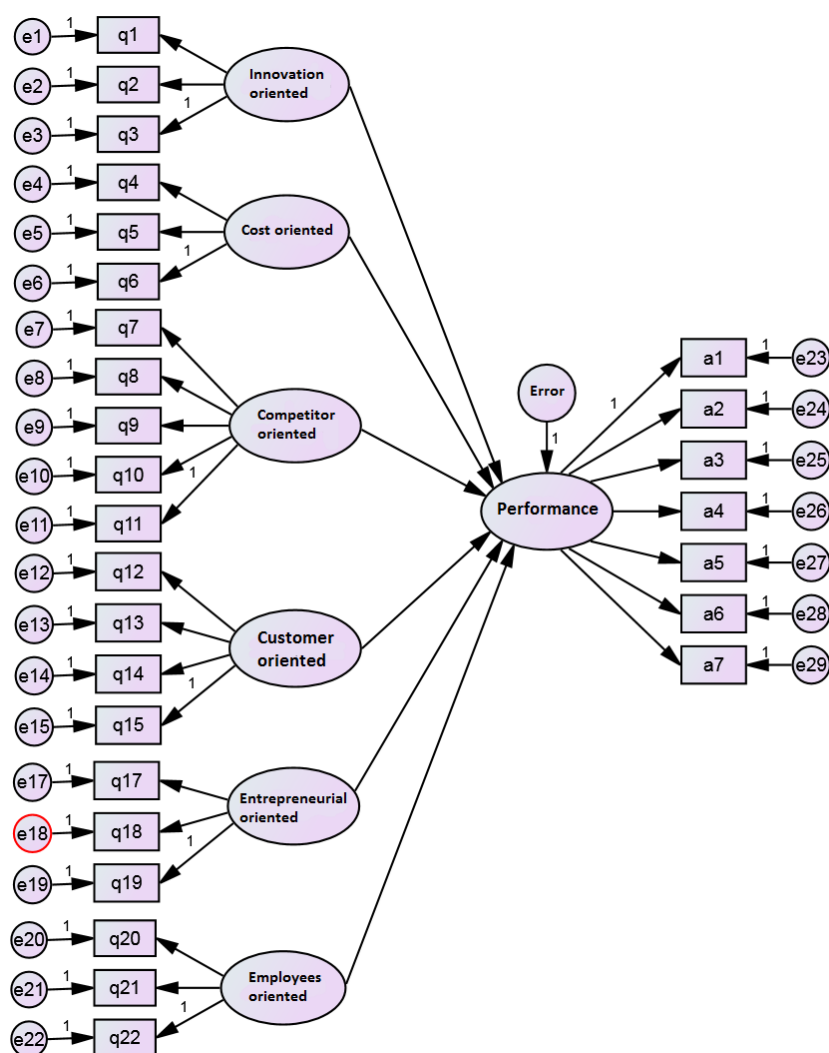


Figure 2. The overall indicators conceptual model and the final research model

Table 2 & Figure 2 shows the calculation of model parameters.

Table 2. Abstract indicators fitted to the model presented in Figure 2.

Fit indices	Absolute indicators			Comparative Indices		Parsimony indices	
	CMIN	DF	Sig	TLI	CFI	CMIN/DF	RMSEA
Limit	-	-	0.05 \geq	0.90 \geq	0.90 \geq	Less 5	0.08 \leq
The basic model (Figure 2)	1004.634	344	0.00	0.63	0.66	2.92	0.12
Revised model (Figure 3)	419.515	293	0.00	0.91	0.93	1.43	0.05

The results in Table 2 in term of static between proposed pattern of conceptual model with relationships pattern based on the data collected, there have been significant levels of difference (0.05 > P). The RMSEA value outside the limit (0.08 < RMSEA) as well as the values of CFI; TLI is outside the limit. However, in general, the model suggests have the sole indicator DF: 5 > DF. Proposed indicators AMOS software was used to develop a conceptual model and index based on the theory that there was a possibility of building relationships, were included in the model. In the conceptual model, none of the indicators except for the chi-square goodness-normalized level is not allowed and so need

to reform model. Modified conceptual model involves the removal of non-significant relationships in addition, statistically significant relationships and also added that, with the underlying theoretical foundations, respectively. Survey Estimates and the proposed amendments indices showed Amos software, at the same time review all aspects of strategic direction, some factors are not directly significant effect on IKCO company performance; so with the use of corrective measures as well as the theoretical foundations of the model of Figure 2 were modified. The results of the model parameters modified in Table 2 show that after

correction model, revised model fit indices were at a satisfactory level generally be considered.

Figure 3 the results show that the modified model based on these proposals.

As the results in Table 3 also show a modified version of the Model 2 had a better fitness.

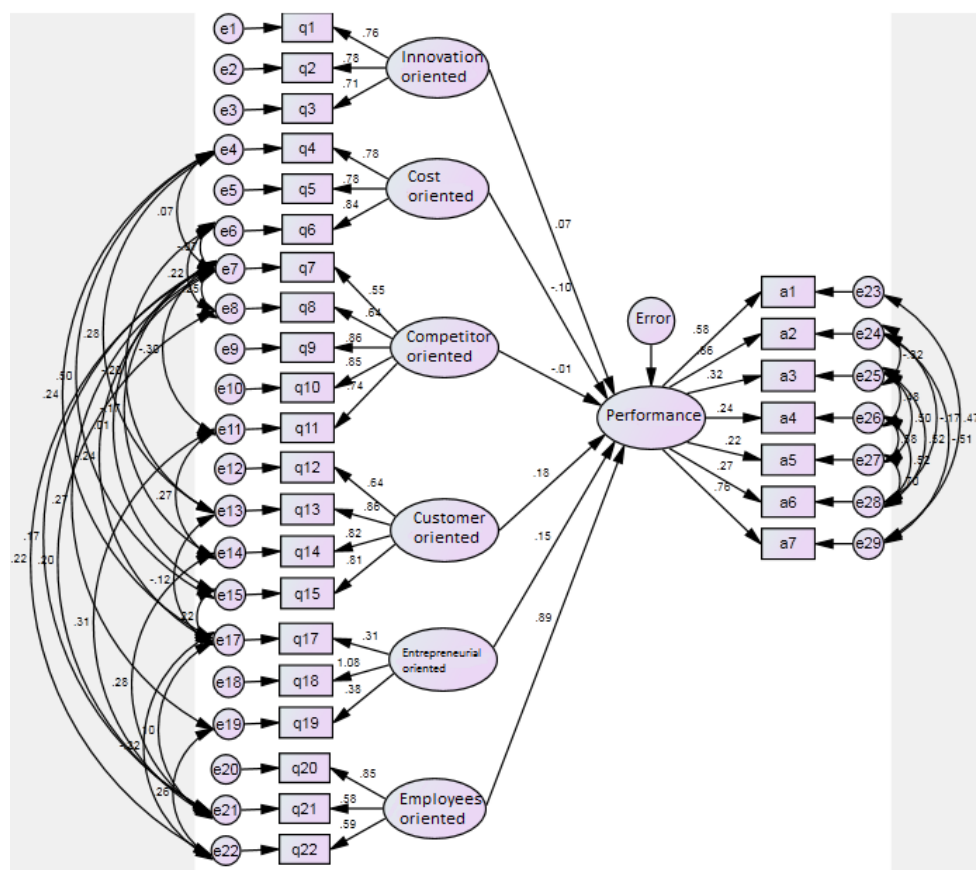


Figure 3 Modified model

As Figure 3 shows, the coefficients between the levels are very weak to strong. In Table 3, the results of the present study were to estimate the model's parameters.

Table 3: Summary of results of significantly improved relations between the variables in the model study

	Parameter	Estimated non-standard	Significant	Estimates Standard
1	Innovation oriented \leftarrow firm performance	0.07	0.21	0.07
2	Cost oriented \leftarrow firm performance	-0.08	0.08	-0.10
3	Competitor oriented \leftarrow firm performance	0.01	0.85	-0.01
4	Customer oriented \leftarrow firm performance	0.14	0.00	0.18
5	Entrepreneurial oriented \leftarrow firm performance	0.21	0.01	0.15
6	Employees oriented \leftarrow firm performance	0.74	0.00	0.89

Estimates in Table 3 standard, non-standard and the significant level of relationships between variables in the modified model proposed research; as can be seen from the study, the role of innovation-oriented, cost-oriented and competitor-oriented on corporate performance, no statistically significant, but the role of entrepreneurship-oriented, customer oriented and employee-oriented on firm performance is significant. Moreover,

employee oriented has the highest role in the performance of the company. Thus, according to statistical insignificance of the three dimensions of innovation-oriented, cost-oriented and competitor-oriented research on corporate performance in the final version omitted these three dimensions and so the final research model with the three strategic orientations affecting the company's performance in the form of 4 and the results of the estimation parameters are presented in Table 4 & figure4.

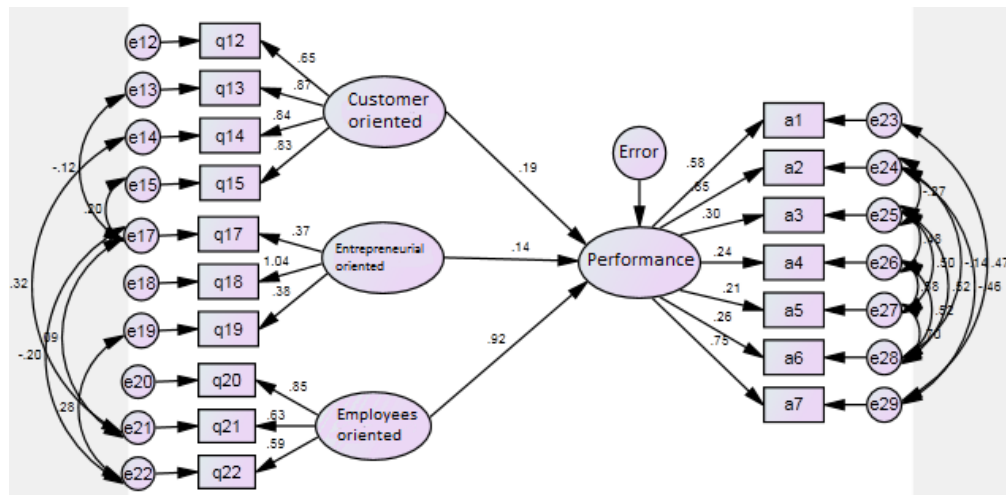


Figure 4: The final research model

Table 4: Summary of significant relationships between variables in the final model study results

	Parameter	Estimates Standard	Significant	Estimates Standard
4	Customer oriented \leftrightarrow firm performance	0.13	0.00	0.18
5	Entrepreneurial oriented \leftrightarrow firm performance	0.19	0.03	0.13
6	Employees oriented \leftrightarrow firm performance	0.76	0.00	0.92

As seen in Table 4 from the perspective of the company's employees IKCO, the highest among its six aspects of strategic orientation of the company's performance, respectively, related to employee orientation, customer oriented and entrepreneurial oriented with standardized coefficients 0.92, 0.18 and 0.13. Therefore, the simultaneous assessment of various aspects of strategic orientation, the results showed that the three dimensions of innovation-oriented, cost-oriented and competitor-oriented are no statistically significant.

5. Discussion and conclusion

This study aimed to investigate the role of the relationship between strategic direction and performance of the Iran Khodro industrial service engineering company was done. The results of the research showed that among the four components of crisis management, loyalty to the highest level of correlation with the results of the strategic orientation of all sizes were correlated with corporate performance 99% confidence level and so the hypothesis is confirmed.

The results showed that the highest correlation relationship with the company's performance and employees oriented and then the relationship with the company's performance is customer orientation. The results showed the coefficient of determination and employee oriented and customer oriented 0.29 and 0.24 respectively. It explain the variance in performance. After entrepreneurship oriented 0.09 and innovation-oriented 0.07, explain the variance in corporate performance. Finally, the results showed that among the various dimensions of strategic direction, each competitor-oriented integration costs and performance are only able to account for the variance 0.05. The purpose that was drawn based on the relationship between the predictor variables and criteria, in the same study showed that not all factors IKCO contribute directly to company performance. The results of this study showed that not all of the factors noted in a level, but they are in a hierarchy of predictive and criterion variables. Specific basis, these results showed that employees of IKCO, among the highest of the six strategic orientation of the company's performance, respectively, related to employee oriented, customer-oriented and entrepreneurial oriented with standardized coefficients 0.92, 0.18 and 0.13. So the simultaneous assessment of various aspects of strategic orientation, the results showed that the three dimensions of

innovation-oriented, no statistically significant are cost-oriented and competitor-oriented. Therefore, due to the lack of a statistically significant role in the three dimensions of innovation-oriented, cost oriented and competitor-oriented research on corporate performance in the final version omitted these three dimensions. Finally, based on the results of this study, more attention to the strategic direction of the company and the strategy and target, the company's reminded of this orientation in life has been an example in the Middle East and vision of the company is to achieve the same goal. Moreover, suggested that the lack of a culture of strategic or parts of the company trimmed its special attention. As well as ways, to strengthen the monitoring and analysis of internal and external enterprise systems addressed

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Primary Paper Section: A

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