Evaluation of the Influence of Strategic Management Dimensions on Organizational Performance
(Case Study: Ardebil Municipality)

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ABSTRACT

Today, strategic management has become an inseparable element of organizations and all companies use it as a helpful instrument and try to implement its fundamentals. Building an appropriate connection between organizational environment and its strategy, structure and processes have positive impacts on performance. The present research aims to evaluate the impact of strategic management dimensions on organizational performance in Ardebil Municipality. The present research is an applied study in terms of its target. It is also a descriptive survey in terms of methodology. Statistical population of the research included all Ardebil Municipality employees. A researcher-made questionnaire was used for collecting information. Furthermore, structural equations modeling method was used for data analysis using LISREL software. Results showed that all research hypotheses were supported and in general, strategic management dimensions have direct impact on organizational performance. Defensive tendency and aggressive tendency variables had the highest impacts on strategic management. Moreover, learning, innovation and customer variables had the highest impacts on organizational performance.

KEYWORDS: strategic management, organizational performance, defensive, futurism, aggressive, proactiveness, risk-taking, analytical

INTRODUCTION

Organizations are important pillars of a society which hold responsibility for guiding some parts of a society. Organizational management is the most important factor in fulfillment of organizational targets. A manager directs an organization from existing conditions towards a desirable target and this can be facilitated by means of strategic thinking and management. Strategic management concept has facilitated understanding of relationships among organizational strategy, human capital, strategic management and organizational performance. Today, operational management of human resources has changed into strategic management of human resources. Dimensions of operational management of human resources (like selection and absorption of employees, training, and development and …) turned into strategic management of human resources. Synergy is an important concept in strategic management of human resources (Baird & Meshulam, 1988, 35). Performance of any organization is directly related to management performance and strategic management in that organization. Strategy design has two important consequences in organizations: a) adjustment of processes and improvement of organizational performance and its subset, b) reduction in damages and losses in case of targets failure. It is important to have coordinated strategies. Each strategy level must be proportional to higher levels strategies. Otherwise, the organization will not be able to reach its targets efficiently (Walker, 2003, 9). Therefore, it seems that strategic management is an important element in influence of human resource management on organizational performance (Afjeh, 2009, 87).

Therefore, the main target of the present research is to determine the influence of strategic management dimensions on organizational performance in Ardebil City. The main question of the research is therefore as follows: Do strategic management dimensions influence organizational performance?

Research background

Zarei and Matin (2010) conducted a research titled: “investigation of relationship between strategic tendency of a company and its organizational performance using balance score card”. Their results showed that business strategy...
has a determining role in organizational performance and dimensions like proactiveness, futurism, analytical and defensive have significant relationships with organizational performance and proactiveness has the strongest relationship with organizational performance. Afjeh and EsmaeelZadeh (2009) conducted a research titled: “investigation of relationship between human resource strategic management and companies performances”. Results showed that companies which use strategic human resource management have better performance in comparison with companies which do not use this instrument (traditional companies) and use of principles of strategic management of human resources improves companies’ performance. Akbariyan and Najafi (2009) conducted a research titled “alignment of EFQM and strategic management for achieving a better performance”. They concluded that improvement of organizational performance is of great importance for managers of companies. Tadayyon et al (2012) conducted a research titled “influence of KM strategies on innovation and organizational performance”. They showed that knowledge personalization and knowledge encoding have positive impacts on innovation and organizational performance and these variables have positive impacts on organizational performance through innovation and there is also a positive and significant relationship between innovation and organizational performance. Marios and John (2012) conducted a research titled “strategic orientations and market capabilities and corporate performance”. They presented a model and tested it empirically. This model connected substitute strategic orientations to corporate performance via influence of market capabilities variable as a mediating variable.

**Theoretical framework**

Strategic management: it is a set of decisions and actions which result in design and implementation of strategies which are used for achieving organizational targets (Armstrong, 2002, 25). David believes that strategic management refers to the art and science of designing, implementing and evaluating multiple task decisions which enable an organization to reach its long-term goals (Fred R, 1999). A review of strategy literature reveals 5 different phases in evolution of paradigm since Second World War. Strategic management trend has four phases. The first phase is financial planning, the second is prediction-based planning, the third is strategic planning and the fourth is strategic management. Since 1980, strategic management paradigm changed into a more flexible form of strategic thinking in 1990 and now a fifth phase can be understood (Timothy, 1999). Organizational effectiveness as the most important aim of each organization is a destination that all of organizational attempts are oriented towards its achieving(Rahnama, et., al, 2011). Researchers have used different approaches for explanation of different strategic tendencies. Myles and Snow (1978) classified strategic tendencies of companies into four groups: opportunists, analysts, defenders and inactive organizations. Venkatraman (1989) also classified strategic tendencies into 6 groups: defensive, aggressive, analytical, futurism, proactiveness and risk-taking. These are two classifications for strategic tendency dimensions (Morgan, 2003). Adoption of a clear strategic tendency determines the way of determining a firm’s response to environmental opportunities and threats. Studies reveal that it is important to focus on all dimensions of strategic tendency and not only one single dimension. Balancing the dimensions is useful when there is a good symmetry between strategic tendency and environmental conditions (Miller, 1983). Many empirical studies have referred to senior manager’s attitude as a determining factor in corporate actions. Davis’s technology adoption model (1986) considers attitude as a precondition for doing a particular behavior or taking a particular action. It seems that managers select strategies which are more compatible with their desires and attitudes (Robbins, 2005). Strategic management dimensions presented by Venkatraman (1989) were used in this research:

**Defensive:** it refers to defensive behaviors which are characterized by reducing costs and finding methods for increasing efficiency (Venkatraman, 1989).

Real defenders have been able to maintain their limited place in industries in which it has been difficult for other competitors to enter (Robbins, 2005). An organization with a defensive strategy takes cost-benefit analysis into consideration. Such an organization analyzes the benefits of the costs incurred. It tries to answer this question: whether benefits compensate costs? It is too difficult for competitors of such an organization to enter such a limited and fiercely-protected area because strong castles are protecting the area (Rahman Seresht, 1998).

**Futurism:** future orientations refer to temporal observation of a company. This basically means long-term plans must be concentrated (Venkatraman, 1989). Futurists are organizations which: continuously look for new market opportunities, they account for changes and uncertainties which must be responded by competitors. In fact, this group tends to lead changes (Miles & Snow, 1978). Future orientations include commitment to long-term investments (Ibid, 1989).

**Aggressive:** it refers to a dimension of organizational strategy which uses resources rapidly in order to improve market situation. This strategic tendency requires considerable investment and emphasizes mainly on market share development (Morgan, 2003). An aggressive organization is one in which senior managers are confronted with environmental uncertainties and changes but they are not able to respond to them efficiently because there is no
logical relationship between strategy and structure in such organizations. In such organizations, adjustments and adaptations take place hardly unless they have to (Ibid, 1978).

Proactiveness: this tendency concentrates on being one step ahead of other competitors. Proactiveness is concentrated on innovative actions and looks for new products and markets. Such companies are market leaders (Morgan, 2003). Proactive strategic behavior indicates an organization’s enthusiasm for seizing new opportunities (dess & Lynn, 1997, 1996). Proactiveness is a pragmatic approach and leads market (gatignon & Xuereb, 1997).

Risk-taking: this involves taking risks in strategic activities (Venkatraman, 1989). Risk-taking is important in allocation of resources and acts as a key parameter in determining decision-making processes in competitive strategy. Risk-taking is mainly intuitive rather than analytical and requires human and financial investment. Risk may be followed by positive or negative consequences (Ibid, 2003).

Analytical: analytical dimension provides a general approach to strategic decisions which results in understanding of environmental and organizational issues. This dimension reflects organizational knowledge for building strengths and facilitating organizational learning processes (Miller, 1983). Analytical companies avoid too much risk and increase organizational benefits at the same time. These select relatively steady structures for ordinary activities and select flexible structures for new activities which are involved in too much uncertainty. (Robbins, 2005).

Organizational performance refers to measurable results, decisions and actions and indicates achievements. Costs comprise a pivotal part in performance. Meanwhile, performance contains relatively all competitive targets and non-material goals like reliability, flexibility, quality and speed (tangen, 2004).

Performance evaluation has been a challenging issue for a long time. Commercial organizations used to use financial indices as performance evaluation instrument. Kaplan and Norton (1980) investigated management accounting systems and revealed many defects of such information in performance evaluation. These inefficiencies was resulted from increase in complexity, environmental flexibility and competition. Every organization requires evaluation in order to become aware of desirability of its activities. In 1950s, Drucker presented some principles which inspired transformations in management. He set strategic elements as bases for organizational analysis. He titled this approach as “management by objective”. Drucker states that human resource is the only means of developing organizations. In his opinion, every business has two main duties: marketing (attention to customers) and creativity. He also believes that there is not enough knowledge concerning productivity and methods for its measurement. Kaplan and Northon (1980) used Drucker’s ideas to remove this problem and tried to measure productivity. They finally came to Balance Score Card model. It can be said that this model includes management by objective and is focused on achieving financial goals, marketing, customers and creativity (Alvani and naghavi, 2003, 8). In the present study, Strobe and Venkataman’s framework (1989) was used as the base of organizational strategy or strategic management. This framework has 6 dimensions: aggressive, defensive, analytical, proactive, futurism and risk-taking. Business performance evaluation is one of the main duties of management because the key to continuous improvement is ability to evaluate and measure organizational performance. Many organizations also understand the importance of permanent performance evaluation and use various performance evaluation systems in organization (Fernandes & Etal, 2006).

The main and most common models of execution of performance evaluation process are:

1. Hierarchical analysis process (AHP)
2. Quality management system (ISO)
3. Performance pyramid
4. Balance score card
5. Business process
6. Medori and Steeple
7. Stakeholders analysis method
8. management by objective system
9. Malcolm Baldrych
10. EFQM

Research conceptual model
The conceptual model (figure 1) of the present research is a combination of Strobe-Vankaterman strategic management theory (1989) and Balance Score Card model of Kaplan and Northon (1992):
RESEARCH METHODOLOGY

In terms of target, the present research is an applied study and in terms of methodology, it is a descriptive survey. Statistical population of the research included all employees of Ardebil Municipality (1479 people in number). Employees whose qualifications were bachelor degree and above were selected for survey (349 people in number). According to Morgan Table, 186 people were selected as sample size.

Research hypotheses
H1: futurism tendency has a direct impact on organizational performance.
H2: proactiveness has a direct impact on organizational performance.
H3: risk-taking has a direct impact on organizational performance.
H4: aggressive tendency has a direct impact on organizational performance.
H5: analytical tendency has a direct impact on organizational performance.
H6: defensive tendency has a direct impact on organizational performance.

Data collection instrument
In order to collect data, a researcher-made questionnaire was used with a Likert scale. Structural Equations Modeling Method in LISREL software was used for data analysis.

RESULTS

Results of the research can be presented in descriptive and inferential parts.

Descriptive findings:
Demographic information
- Gender: descriptive statistics showed that 11.8% of respondents were female and 88.2% of them were male. 85.1% were married and 14.9% were single.
- Education: 84.3% had bachelor degree, 14.6% had master degree and 1.1% had PhD.
- Age: age average of the respondents was 35, minimum age was 21 and maximum age was 52.
Employment type: 36.8% were permanent employees, 41.8% were semi-permanent employees, 19.2% were temporary and 2.2% were contractor employees.

**Investigation of strategic management status**

As it was mentioned before, strategic management is measured by means of Strobe & Venkatraman 6 dimensions. Responses to this variable are summarized in table 1:

<table>
<thead>
<tr>
<th>Strategic management</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completely disagree</td>
<td>8</td>
<td>4.301075</td>
</tr>
<tr>
<td>disagree</td>
<td>16</td>
<td>8.602151</td>
</tr>
<tr>
<td>I’m not sure</td>
<td>43</td>
<td>23.11828</td>
</tr>
<tr>
<td>agree</td>
<td>85</td>
<td>45.69892</td>
</tr>
<tr>
<td>Completely agree</td>
<td>34</td>
<td>18.27957</td>
</tr>
<tr>
<td>sum</td>
<td>186</td>
<td>100</td>
</tr>
</tbody>
</table>

Considering the data in the above table, it can be said that about 64% of respondents (including completely agree and disagree choices) evaluated the level of implementation of strategic management as high in their organizations. On the other hand, 13% of respondents (including completely agree and disagree choices) evaluated the level of strategic management as low in their organizations and 23% are not sure about it.

**Investigation of the status of organizational performance**

This variable was measured by means of Balanced Score Card model provided by Kaplan and Northon (1992). Results are summarized in table 2.

<table>
<thead>
<tr>
<th>Organizational performance</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very low</td>
<td>11</td>
<td>5.913978</td>
</tr>
<tr>
<td>low</td>
<td>23</td>
<td>12.36559</td>
</tr>
<tr>
<td>average</td>
<td>77</td>
<td>41.39785</td>
</tr>
<tr>
<td>high</td>
<td>61</td>
<td>32.7957</td>
</tr>
<tr>
<td>Very high</td>
<td>14</td>
<td>7.526882</td>
</tr>
<tr>
<td>sum</td>
<td>186</td>
<td>100</td>
</tr>
</tbody>
</table>

Results summarized in table 2 indicate that about 40% of respondents (including very much and much choices) evaluated the level of organizational performance to be high in their respective organizations and 18% (including very low and low choices) evaluated the level of organizational performance to be low in their organizations. 35% considered performance as being average.

**Research hypotheses test**

In the following sentences, the 6 hypotheses are examined.

<table>
<thead>
<tr>
<th>Path direction</th>
<th>Parameter estimation</th>
<th>Standard error</th>
<th>T</th>
<th>Significance</th>
<th>Variable name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact of futurism on organizational performance</td>
<td>0/241</td>
<td>0/084</td>
<td>6/247</td>
<td>0/004</td>
<td>Futurism</td>
</tr>
<tr>
<td>Impact of proactiveness on organizational performance</td>
<td>0/214</td>
<td>0/0754</td>
<td>5/941</td>
<td>0/000</td>
<td>proactiveness</td>
</tr>
<tr>
<td>Impact of risk-taking on organizational performance</td>
<td>0/245</td>
<td>0/541</td>
<td>5/213</td>
<td>0/001</td>
<td>Risk-taking</td>
</tr>
<tr>
<td>Impact of aggressive tendency on organizational performance</td>
<td>0/257</td>
<td>0/648</td>
<td>6/358</td>
<td>0/003</td>
<td>aggressive</td>
</tr>
<tr>
<td>Impact of analytical tendency on organizational performance</td>
<td>0/203</td>
<td>0/0754</td>
<td>4/854</td>
<td>0/002</td>
<td>analytical</td>
</tr>
<tr>
<td>Impact of defensive tendency on organizational performance</td>
<td>0/212</td>
<td>0/598</td>
<td>5/459</td>
<td>0/032</td>
<td>defensive</td>
</tr>
</tbody>
</table>

First hypothesis test:

Futurism has a direct influence on organizational performance.

Considering the results of table 3, it can be said that T=6.247 is significant in p<0.05 level. Further, parameter is equal to 0.241 which is indicative of significant and direct impact of futurism on organizational performance.
Therefore, H0 is rejected and the first hypothesis is supported. Therefore, it can be said that futurism has direct impact on organizational performance.

Second hypothesis test:
Proactiveness has a direct impact on organizational performance.
Considering the results of table 3, it can be said that significance level (0.000) is significant in p<0.05 level. Further, path coefficient of proactiveness impact on organizational performance has a T equal to 5.941 and parameter value is equal to 0.214, which is indicative of the positive and direct impact of proactiveness on organizational performance. Therefore, H0 is rejected and the second hypothesis is supported. Therefore, proactiveness has a direct impact on organizational performance.

Third hypothesis test:
Risk-taking has a direct impact on organizational performance.
Considering the results of table 3, path coefficient of the impact of risk-taking on organizational performance with a value of T=-5.213, on the other hand, significance level (0.001) is smaller than standard level (p<0.05). therefore, H0 is rejected and the hypothesis is verified. Parameter value is equal to 0.0245 which is indicative of the direct and significant influence of risk-taking on organizational performance. In other words, risk-taking has a direct impact on organizational performance.

Fourth hypothesis test:
Aggressive tendency has a direct impact on organizational performance.
Considering the results of table 3, it can be said that path coefficient of aggressive tendency impact on organizational performance is significant with a value of T=6.358 in p<0.05 level. Furthermore, parameter value is equal to 0.257 which is indicative of the positive impact of aggressive tendency on organizational performance. Therefore, H0 is rejected and the research hypothesis is supported. Therefore, it can be said that aggressive tendency has a direct impact on organizational performance.

Fifth hypothesis test:
Analytical tendency has a direct influence on organizational performance.
Considering the results of table 3, significance level(0.002) is significant in (p<0.05) level. Furthermore, path coefficient of impact of analytical tendency on organizational performance has a T equal to 4.854 and parameter value is equal to 0.203, which is indicative of positive and direct impact of analytical tendency on organizational performance. Therefore, H0 is rejected and the hypothesis is supported. Therefore, analytical tendency has a direct influence on organizational performance.

Sixth hypothesis test:
Defensive tendency has a direct impact on organizational performance.
Considering the results of table 3, it can be said that path coefficient of defensive tendency impact on organizational performance is significant with T=5.459 in (p<0.05) level. Further, parameter is equal to 0.212 which is indicative of positive impact of defensive tendency on organizational performance. Therefore, H0 is rejected and statistical hypothesis is supported. Therefore, it can be said that defensive tendency has a direct impact on organizational performance.

<table>
<thead>
<tr>
<th>Indicator name</th>
<th>abbreviation</th>
<th>Acceptable fit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodness of fit index</td>
<td>GFI</td>
<td>90%GFI&gt;</td>
</tr>
<tr>
<td>Adjusted goodness of fit index</td>
<td>AGFI</td>
<td>90%AGFI&gt;</td>
</tr>
<tr>
<td>Normalized fit index</td>
<td>NFI</td>
<td>90%NFI&gt;</td>
</tr>
<tr>
<td>Comparative fit index</td>
<td>CFI</td>
<td>90%CFI&gt;</td>
</tr>
<tr>
<td>Increased fit index</td>
<td>IFI</td>
<td>90%IFI&gt;</td>
</tr>
<tr>
<td>Root mean square error approximation</td>
<td>RMSEA</td>
<td>&lt;RMSEA10</td>
</tr>
<tr>
<td>Normalized kai-square over degree of freedom</td>
<td>CMIN/df</td>
<td>Between 1 and 3</td>
</tr>
</tbody>
</table>

In order to fit the model, we used fit indices which are present in structural equations modeling. Fit indices indicate that whether the model obtained from data verifies measurement model of the research or not.
Because P value is greater than 0.05 for all observed variables, it can be concluded that Kai-square value (CMIN) is appropriate for measurement models. GFI is another important index which is used for model fitting. As GFI (=goodness of fit index) approaches 1, data model has a better fitness (Ghasemi, 2010). Root mean square error approximation (RMSEA) index is another important index which has a value less than 0.08 in acceptable models. Fitness of models which have RMSEA values higher than 0.1 are evaluated to be weak. As it can be seen in table 10, RMSEA value is less than 0.08 in this model which is indicative of goodness of fit. Finally, it can be concluded that the observed variables are of good fitness and this means that explicit variables can measure latent variables well. Furthermore, results of confirmatory factor analysis and p partial index were investigated for testing validity of factor loading of each question and all factor loadings were higher than 0.05 and p value was smaller than 0.05. Therefore, it can be concluded that questions measure the variables well.

Conclusion
Today, strategic management is an important element of organizations all over the world and all companies use and implement strategic management. Studies showed that organizational performance is higher in organizations which are committed to strategic management. Establishment of a link between environment of an organization and its strategies, structure of an organization and its process has positive impacts on performance. Integrated strategic management starts with planning for an organization and its employees and after their evaluation through controlling performance indices, some recommendations are provided for improving processes and improving employees' performance and this cycle will be followed by stabilized success.

Results of testing the hypotheses showed that all hypotheses were supported. Results showed that futurism tendency has a direct impact on organizational performance and implementation of futurism in an organization improves organizational performance. Therefore, managers are recommended to implement this strategy in their respective organizations. Plans for implementation of futurism include: formation of thinking chamber in organization, doing applied studies for improvement of future status of the organization, prediction of future activities and adoption of policies for acquiring information based on long-term performance instead of short-term performance.

Results also showed that proactiveness has a direct impact on organizational performance and implementation of proactiveness strategy improves organizational performance. Therefore, managers are advised to develop proactiveness strategy by means of steady planning. Plans for implementation of proactiveness include: building new opportunities concerning present activities of the organization, providing new services for customers, providing different services for customers, development of organization and employees' capabilities, ranking of services which are strategic for the organization and elimination of unnecessary and inefficient services.

Results showed that risk-taking has a direct influence on organizational performance and fulfillment of risk-taking strategy improves organizational performance. Therefore, managers are advised to develop risk-taking strategy using continuous plans. Plans for implementation of risk-taking include: attention to acquiring a reputation and good position instead of profitability and acquiring more income, providing more services parallel to other organizations, identification of risk-taking areas of the organization, appointment of risk-taker managers and employees, removal of conservativeness and risk-avoidance culture in organization.

Analytical tendency has a direct impact on organizational performance and implementation of analytical tendency strategy improves employees' behavioral performance. Therefore, managers are advised to pay more attention to analytical tendency strategy. The following plans are recommended for better implementation of strategic management: provision of a comprehensive analysis of organizational situation for adopting key decisions use of information systems in decision-making, acquiring real information for supporting daily decision-making, use of simultaneous programming technique, use of human resource planning and performance evaluation of senior managers.

Results showed that defensive tendency has a direct influence on organizational performance and implementation of defensive tendency strategy improves organizational performance. Therefore, managers are advised to implement defensive strategy in their organizations. The following plans are recommended for better
implementation of strategic management: approval of new projects in iterative form to reach an agreement, support for intended projects, implementation of tested trends for operation, iterative conduction of projects.

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