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Analyzing of Strategic Capabilities and Performance among Tea Producers in Iran

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ABSTRACT

We want to study Iran's tea industry in this paper. It is also expected that the domestic production of tea will diminish gradually as a result of the relatively high costs of production and lower quality tea. Besides, the conversion from unpackaged tea to high-quality branded tea is predicted to accelerate in the forecast period. The aim of this paper is assess the influence of strategic capabilities, specifically, in level innovation on the business strategy-performance in Iran tea industry. Strategic capability scales were adopted from DeSarbo and associates. The information gathering tools were old studied Questionnaires. A survey containing these scales were administered to 80 attendees shows the tea factories in Iran. The statistical population consisted of 250 units in Mazandaran and Lahijan city; from the 250, 110 were chosen by using stratified randomized sampling. 150 questionnaires were distributed to targeted population. Out of 150 questionnaires we received 80 completed questionnaires. This study was conducted using the Amos and Spss software for examining data. The results indicate that links between level innovation of strategy capabilities, strategic capabilities and performance in retail businesses in Iran.
KEYWORDS: Iran tea industry, Innovation, Performance, strategic capabilities

INTRODUCTION

Tea is the second largest drink consumed in the world after water. Tea manufacturing consists of 4stages, namely withering, rolling, fermentation and drying. Black tea is manufactured from the tender leafs and Younglings of the ever green shrub. Tea is grown in many countries. Being a labor intensive industry, it plays a vital role in employment generation. A sizeable amount of staff and labor are directly engaged in tea industry (Baruah 2008).

Golestan Iranian tea remained the leading player in tea with a 32% share of retail value sales in 2010. Tea being a perishable commodity should be disposed off quickly and the economic viability of the tea industry depends crucially on profitable disposal of products. There are various modes of disposal of tea viz. i.e. auction, ex factory, and forward contract (http://www.Golestan.com, page 2 of 5).

Present paper appraises the influence of strategic capabilities in level innovation on the performance relationship among retail businesses tea industry in Iran. This paper does strategic capabilities in the realms of marketing, technology, market linking /or management and innovation improve the prospects for superior performance among developed and emerging economies in the tea factories in Iran? Hypotheses, methods, and findings follow, and results are probed further in a discussion section. The paper closes with conclusions, limitations, and future research opportunities.

The resource-based view and strategic capabilities in the level innovation

There isn't a business that doesn't want to be more creative in its thinking. The goal of innovation is to create business value by developing ideas from mind to market. And it is, for most companies, tremendously difficult to achieve. Innovation isn't difficult because employees don't have good ideas. The world is awash with creativity and technological breakthroughs. Rather, myriad obstacles in the idea-to-cash process limit a company's ability to innovate. Rigour and training are required to overcome these obstacles. Seen as the creator of new value, innovation isn't hit-or-miss, trial-and-error lateral thinking, but a repeatable process (Alvani. M. et al 2009).

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Penrose growth theory states on: an organization is More than one unit of an administrative, but also the most productive set of available human resources, which are limited by administrative decisions. The two main pillars of this theory (RBV) focus on:

1. Managers in the development and deployment of resources Amit & schoemarker 1993)
2. Relationship between resources and organizational boundaries (Chatterjec & mernerfit 1991)

Penrose with this investigation discovered the role that resources play in the organization. For example, a single asset, a source of wealth, not creates a competitive advantage, but the services that the organization provides resource assets, as a result, provides a competitive advantage. Many researchers have found that using only internal resources are not sufficient for the survival of the organization, but the organization must apply the right resources (Barney 1986؛ Itami 1987). The researchers found that certain characteristics of these resources to create a competitive advantage should be noted that some of the most important of which are: valuable, rare, inimitable and is irreplaceable.

1. Values: For being a source of useful for organizations must be able to meet the needs of customers through increased productivity and efficiency. Thus, resources must be valuable in communicating with customers (to directly or indirectly).
2. Scarce resource should be easily accessible by competitors present or future. This is a must have resource for an organization.
3. Inimitable: the absence of such ambiguity, complexity and ... Causes the source is not easily imitated.
4. Irreplaceable: the resource should easily through a similar item or combination with other resources to create a competitive advantage similar.

Strategic capabilities create product performance and customer satisfaction is fixed income or profit as a result of high competitive advantages.

John A. Parnell state that: "The notion of strategic capabilities represents a key component of this resurgence (DeSarbo et al., 2005). An organization's resources – including its assets and skills – represent the source of its foundation for sustainable competitive advantage (Aaker, 1989; Atoche, 2007). Strategists should seek to shape, transform, and combine these resources into strategic capabilities, which in term drive strategic success (Pandza and Thorpe, 2009)."

The present study seeks to gain insight into linkages between strategic capabilities, and performance in Iran tea industry. Toward this end, two cities in Iran – Mazandaran and Lahijan – were selected for investigation.

Production of tea and the tea industry in Iran

The per capita consumption of tea in Iran is around 1.4kg, which means that around

100,000 tones of tea are consumed annually. Given that only 35,000 tones are domestically produced, the country has to import at least 65,000 tones of tea through official channels. However, only 26,000 tones were imported in 2010, albeit higher than the 23,000 tones imported in 2009. However, a high volume of imported tea was not sold in 2009. This surplus was stored in warehouses for use in 2010. Thus, more than 20,000 tones of imported tea could not be absorbed. Only one company in Iran could remain the leading player in tea with a 32% share of retail value sales in 2010. The company offers a wide portfolio in terms of packaging and different flavors. It benefits from a strong distribution network and brand image in Iran (http://www.Golestan.com, page 2 of 5). Karmakar & Banerjee (2005) represent: "The essential features of the tea industry include (i) Farming and Manufacturing, (ii) Geographical Locations, (iii) Marketing, (iv)Exports, (v) Internal Consumption, (vi) Imposts, (vii) Labor and (viii) Development Measures

i: Farming and Manufacturing

a. Withering
b. Rolling and Fermenting
c. Grading and Packing

ii. Geographical Locations, etc.

a. Area, Production and Yield of Tea
b. Classification of Tea etc
c. Classification of States

iii. Primary Marketing

iv. Exports
v. Internal Consumption
vi. Major Taxes

Hypotheses

The present study seeks to expand our understanding of the strategy-performance relationship by drawing strategic capability research streams. Toward this end, five hypotheses are proposed and tested, and summarized in Figure 1.

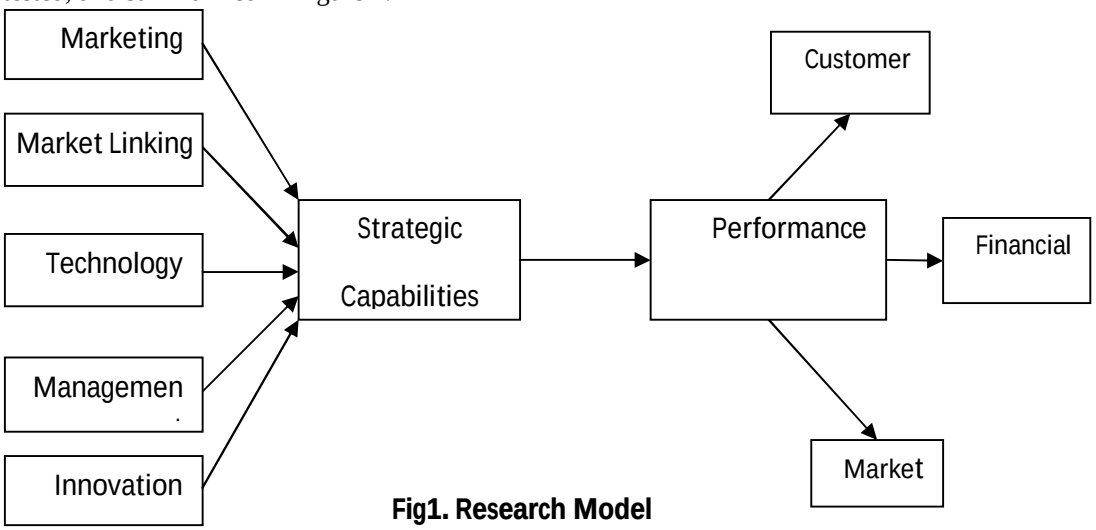

Fig1. Research Model

Source: Parnell, J. A. (2011)

According to previous research, some of the strategic capabilities are both positive and negative impact on business performance in the tea industry (Pandza and Thorpe, 2009). Considering that in the past, the overall relationship between ability and performance have been tested, currently are being explored strategies and capabilities. Figure 1.Proposed strategy capabilities-performance linkages.

H. There is a positive and significant association between strategic capabilities and organizational performance.

H. There is a positive and significant association between each of DeSarbo's strategic capabilities (H1) Innovation (H2) management (H3) marketing, (H4) market linking, and (H5) technology – and organizational performance.

METHODS

All the model constructs were measured by multiple items on a six-point Likert-type scale (from 1 ¼ "strongly disagree" to 6 ¼ "strongly agree"). We used scale scale developed by DeSarbo et al. (2005) to measure Strategic capability. Also, marketing capabilities adapted from scales used previously by Conant et al. (1990). Market linking capabilities and technology capabilities scales adapted from scales used previously by Day's (1994) previous work. This study was conducted using the correlation method. Correlation research method is the ability to prove a positive or negative correlation between two subjects (Dellavar, 2007). Using non-probabilistic sampling method, 150 questionnaires were distributed to the managers that were willing to participate in the study. By using Alpha Cronbach coefficient, reliability coefficients for total intensity variation of 85% was achieved in this study can be used to show the capability of the high reliability of the questionnaire. Also, questionnaire was confirmed by 19 faculty members and 25 experts in the university in terms of nominal and content validity. Data was analysis by SPSS18 and Amos 18 software. In this research for the analysis of the assumptions using Path Analysis and to evaluate the overall fit of the research model using structural equation modeling. In Structural equation modeling of the data in conformity research will examine whether the conceptual model is a good fit, On the other hand, no significant

relationships found in the model is tested. The model fit indices for $\chi 2$/df, RMSEA, GFI, AGFI, NNFI (TLI), NFI, and CFI. According to these criteria, a model of goodness of fit is the $\chi 2$ per degree of freedom (df) of less than 3, the value of RMSEA less than 10 percent, the GFI, AGFI, NNFI (TLI), NFI, CFI, and IFI more PNFI value is greater than 90% and 50%.

Sample

We designed a field study to test our hypotheses. We contacted 4 managers of tea producing organizations in Iran. We briefly informed them that the purpose of this study was to analyze of Strategic capabilities and performance among tea producers. Participation was voluntary. The statistical population consisted of 250 units in Mazandaran and Lahijan city; from the 250, 110 were chosen by using stratified randomized sampling. 150 questionnaires were distributed to targeted population. A total of 150 questionnaires we received 80 completed questionnaires. All the questionnaires had worked with the managers for over five months. We used a six-point scale to direct the respondents' attention away from the scale's mid-point (i.e., “neither agree nor disagree”). As a result, all the survey items except for the demographic variables were on a six-point response format ranging from 1 (“strongly disagree”) to 6 (“strongly agree”).we have used random sample for this research. Table 1 shows demographic data. As it is shown, most of the respondents were male with 26 to 29 years of age and most of them are Marriage and have Master of Science.

Table1. Demographic profile of the respondents

	Criteria	% Frequency
Gender	Male	60
	Female	40
Age	22-25	15
	26-29	52
	30-33	10.6
	34-37	16.4
	More than 37	6
education	Diploma	1.3
	Undergraduate	20
	Master of Science	53.8
	Doctor	25.0
Estate	Marriage	83.8
	Single	16.3

CONCLUSIONS AND DISCUSSIONS

Each of the strategy and capabilities scales was factor analyzed to assess reliability before hypotheses were tested. We evaluated the internal reliability of scales by Cronbach’s alpha for the strategy and performance scales appear in Table 1. Reliability scores were strong, with all of them above Factor scores for each organization in the sample.

Table1. Scale the tea industrial (n =80)

Constructs	**Scale**
Performance	Alpha =0.84
Marketing	Alpha =0.80
Linking	Alpha =0.79
Technology	Alpha = 0.90
Management	Alpha =0.91
Innovation	Alpha =0.84

In order to assess the robustness of the hypothesized relationships in the proposed model, we validated our results by testing a competing model. Influences remain rather intact, which supports the robustness of our findings the fit indices of the model showed that it was fitting the data that was worse than the proposed model (table2). Therefore, the results of the study suggest relying upon the proposed conceptual model instead of the competing alternative model.

Table2. Fit indices of the model

Scale	Constructs
$\chi 2/df$	1.038
RMR	0.079
GFI (Goodness of Fit Index)	0.97
AGFI (Adjusted Goodness of Fit Index)	0.90
RMSEA	0.022
NFI	0.94
CFI	0.99
IFI	0.99

The results presented in Figure 2 and Table 3 show that dimension of strategic capabilities tends to positively influence on performance. All these coefficients are statistically significant ($p<0.01$).

Table3. Standardized path coefficients

H		E	C.R.	P R	
H_1	MAR CAP → PERF	.818	6.679	< 0.001	Supported
H_2	M LIN CAP → PERF	.370	5.152	< 0.001	Supported
H_3	TEC CAP → PERF	.317	8.725	<0.01	Supported
H_4	MANAG C → PERF	.139	4.852	< 0.01	Supported
H_5	INOVA CAP → PERF	.665	4.384	<0.01	Supported

H: Hypotheses. E: Estimate. P R: P Remarks

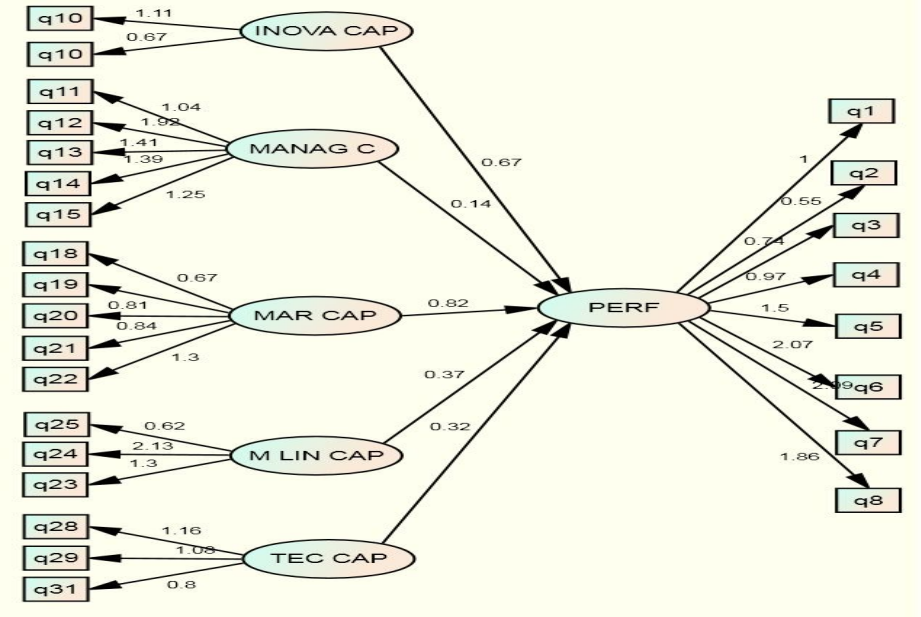

Figure 2: Hypotheses Result

Support for the first than fifth hypotheses among tea producers in Iran ret that emphasis on any strategy or development of any capability tends to positively influence performance. It is also possible that such linkages are stronger in more developed markets. Nonetheless, the lack of any negative correlations – significant or not – reinforces the presumed positive influence of strategies and capabilities.

The performance is a multidimensional variable and should be conceptualized in several ways, however, the criteria used in this article is considered one of the main aspects of the organization's performance, it helps to further exploration of the complexities to explore the relationship between the investment and Strategic Capabilities and organizational performance measures. This study has provided new view of the competitive market and the drivers of competitive advantage in organizations; still, international researchers and marketing managers can better define and identify

capabilities and resources. This study was of little help to increase knowledge of international marketing research is beginning to understand the importance of organizational intangible resources (Strategic Capabilities). The result represents the capabilities of the organization's Strategic and business performance. The results of past research studies, including studies of Dutta et al. (1999), Kotabe et al. (2002), Song et al. (2005), Vorhies and Morgan (2005). Strategic capabilities of an organization is used understand our customers' needs in order to establish long term relationship with them. This enables the organization to customers with valuable marketing resources to build the brand. In the current competitive industries, better Strategic capabilities creates a competitive advantage for today's organizations and community organizations, thereby helping to achieve better business performance. Organizations with assets of more spending to create innovative and unique Technology in a dynamic environment, businesses can better focus on Strategic capabilities for Better performance. The Rowe Companies that focus on Strategic capabilities, they can be a strong competitive to provide for them advantage in the market.

Conclusions, limitations, and future research, several key conclusions can be stated that the findings presented here. First, Strategic capabilities are a key factor in the organization. The present results have some implications for future research, which are related to the limitations of this study. In this study, only some organizations were investigated. Thus, the generalizability of our results is somewhat limited and results could be specific to these types of establishments. Future research can investigate these factors in different cultural and organizational settings. Other limitations of this study are small sample size and representativeness of the sample where non-probabilistic sampling method was used. This study can inform further work that integrates the strategic group and business levels of analysis.

Finally, most competitive strategy studies have assessed the link between strategy and performance over a fixed, relatively short time frame. High performing businesses generate profits and other positive outcomes over an extended period of time. Future research can do market trend and market growth analysis of the Tea industry. With this market analysis, they'll be able to explore in detail the changing shape and potential of the industry, includes:

- Analysis of key supply-side and demand trends
- Detailed segmentation of international and local products
- Historic volumes and values, company and brand market shares
- Five year forecasts of market trends and market growth
- Robust and transparent market research methodology, conducted in-country
- Is there a shift from unpackaged to packaged tea in tea industry
- What is the market size for different tea flavors (green tea, black tea, herbal tea, etc?)

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