EFFECT OF STRATEGIC ORIENTATION AND ORGANIZATIONAL CULTURE ON FIRM'S PERFORMANCE. ROLE OF ORGANIZATIONAL COMMITMENTS**Chayanan Kerdpitak¹, Chanathat Boonrattanakittibhumi^{2*}**¹*Graduate School, Suan Sunandha Rajabhat University, Bangkok, Thailand,*²*King Mongkut's Institute of Technology Ladkrabang Prince of Chumphon Campus, Chumphon, Thailand**E-mails: ¹chayanan.ke@ssru.ac.th; ^{2*}b.dr.chanathat2013@gmail.com (Corresponding author)**Received 15 March 2019; accepted 29 November 2019; published 30 January 2020*

Abstract. The main objective of the current study is to examine the direct impact of the strategic orientation and organizational culture on the firm performance of banks operating in the Thailand. Additionally, the study has also examined the mediating role of organizational commitment in the relationship between strategic orientation and firm performance, and between organizational culture and firm performance. The suitability of the activities of an organization is determined through innovation and strong culture, which contributes to the performance an organization (OP). A questionnaire based on structured questions was developed with reference to the objectives of the research. The data was analyzed using structural equation modelling that is regarded as technique of second generation. This is referred as second-generation technique due to some limitations of first-generation techniques. The response rate of the study is 63.4 percent. It was revealed by the results that significant and positive relation exists between hard/soft HR strategic orientations, continuance, and affective components of commitment. However, there was negative association of normative commitment with hard HR. The caring organizational attitude with its employees is regarded as soft HR and limited or rigid behavior is indicated by hard HR. The findings of the study have provided support to the proposed results.

Keywords: strategic orientation; organizational culture; commitment; banks; Thailand

Reference to this paper should be made as follows: Kerdpitak, C., Boonrattanakittibhumi, C. 2020. Effect of strategic orientation and organizational culture on firm's performance. Role of organizational commitments. *Journal of Security and Sustainability Issues*, 9(January), 70-82. [http://doi.org/10.9770/jssi.2020.9.J\(6\)](http://doi.org/10.9770/jssi.2020.9.J(6))

JEL Classifications: L2

1. Background

The previous studies were mainly focused on various measures of organizational performance and strategic orientation, which can be potential reason for the contradiction. The existing literature has some deficiencies related to the influence of strategic orientation on the performance of an organization (Pollanen et al., 2017; Charoenwiriyaikul, Burananuth, Reungjarungpong, & Jermisittiparsert, 2019; Chienwattanasook & Jermisittiparsert, 2019). It was recommended by He et al. (2018) that there is need to incorporate strategic orientation with reference to the emerging economies in future studies. Therefore, strategic orientation is required to be considered in organizations of Thailand and particularly with the performance of banking sector in the economy. It was emphasized by Kasemsap (2017) that there is need for alignment between the culture and strategies of an organization. In order to examine strategic orientation, organizational culture is a key element due to its direct influence on the performance of an organization (Masa'deh et al., 2017; Mullakhmetov, Sadriev, Akhmetshin, 2019).

It has been confirmed by existing literature that organizational culture creates direct as well as indirect influences on the performance of an organization. There is no such empirical and theoretical development of the relation between organizational performance and its culture irrespective of the potential influences and significance of organizational culture. It has been confirmed by some studies that organizational culture has a significant relation with organizational performance. However, mix results have been found by some researchers about the association of organizational culture and performance of an organization (Braithwaite et al., 2017). Therefore, it is required to determine the organizational culture within the banking sector of Thailand. This will help in evaluating the strategic acceptance, discipline, and focus on objectives and related influence on the performance of organization. For any organization, human resource is the key asset. Human resource is a crucial factor, which can influence organizational performance in a direct way (Felin et al., 2015).

An important internal factor is internal market orientation (IMO), which is regarded as exchange between the organization and its employees such as communication, resources, and some non-economic transactions (Ahmed & bin Lebai Othman, 2017). Organizational IMO is regarded as IMO, which is perceived positively and leads to positive outcomes of the employees and organization. The current literature has no work on the nature and level of IMO within the banking sector. Therefore, more investigation is required to determine the internal behavior of market orientation and its influence on the outcomes of an organization in empirical terms (Kocak et al., 2017).

In the similar way, there is considerable study about the relation between organizational performance in literature (Vanhove et al., 2016). However, rare investigation has been done in literature about the influences of organizational IMO. Resultantly, a core organizational value is constituted by IMO, which may create competitive advantage, profitability, and commitment for an organization (Altuna, Contri et al., 2015).

Moreover, a positive relation has been found by previous studies on the relation of organizational performance and organizational commitment (Yousef, 2017). In the similar way, it has been reported by a study that there is a strong association between organizational commitment and strategic orientation of HR (Ogunyomi & Bruning, 2016). Moreover, it has been identified by previous studies that a positive relation exists between organizational commitment and organizational culture (Kim et al., 2016). Researchers have revealed a significant association between organizational commitment and strategic orientation. Therefore, no study has investigated the relation between organizational, organizational culture, strategic orientation, and organizational performance along with the influence of organizational commitment as a mediator (Ahmed & bin Lebai Othman, 2017).

1.1 Hypothesis Development

1.2 Organizational Performance and Strategic Orientation

A number of studies have identified the variables including entrepreneurial orientation, competitor orientation, entrepreneurial orientation, technology orientation, and customer orientation as the predictors of organizational performance and dimensions of strategic orientation (Saebi, Lien, & Foss, 2017). There are limited empirical studies on the relation of organizational performance and strategic orientation as a single dimension construct, within the field of strategic management (Durand et al., 2017). The focus of most of the previous studies was on the association of various types of strategies within an organization such as defender, prospector, reactor, and analyzer with the performance of an organization. However, the results of previous studies are not clear and mixed (Olson, Slater, Hult, & Olson, 2018).

No conclusive statement has been made on the best strategic orientation of an organization (Jansson et al., 2017). It has been argued by some scholars of strategic management that effectiveness of typologies of strategy is based on

the size of organization, type of industry, and culture, capabilities, and resources of an organization as well as external environment. Alternatively, a positive influence has been found on organizational performance by individual strategic orientation (Masa'deh et al., 2017). Further, a positive association has been revealed by some empirical studies some found a weak association, and some found no relation between organizational performance and strategic orientation (Naranjo-Valencia et al., 2016). It was also found by previous studies that organizational performance is not influenced by strategic orientation (Fraj et al., 2015). It has been claimed by some researchers that a positive influence is created by strategic orientation on the performance of an organization.

The previous studies were mainly focused on various measures of organizational performance and strategic orientation, which can be potential reason for the contradiction. The existing literature has some deficiencies related to the influence of strategic orientation on the performance of an organization (Engert et al., 2016). Moreover, a number of previous studies have worked on specific context such as on highly diversified or large western organization, SMEs, organizations with family business background or international business organizations (Tajeddin & Carney, 2019).

The banking sector has not been considered by a significant number of studies (Menicucci & Paolucci, 2016). Further, the results of the existing researchers on banking sector are not consistent. There is lack of empirical studies on the relation between organizational performance and strategic orientation as a uni-dimensional construct (Matthias et al., 2016). Moreover, the results of the current studies are not consistent related to the relation between organizational performance and various types of strategic orientations. It has been highlighted previously that there is need for further analysis on the relation of organizational performance and strategic orientation. It was recommended by Liu and Atuahene-Gima (2018) that strategic orientations should be considered with reference to emerging economies. The researcher claimed that several questions have not been answered and there is need to resolve them. It is important to carry out comparative studies using various scales. Such studies can be useful to show the support for direct and indirect influences on performance of business both empirically and conceptually. It can be concluded from the above discussion that the relation between organizational performance and strategic orientation is not clear and further investigation is required. Therefore, the following research hypothesis can be developed:

H1: strategic orientation (SO) has significant impact on the performance

1.3 Organizational Performance and Organizational Culture

The relation between culture of an organization and its performance is supported by a number of studies. It was found by Valmohammadi and Roshanzamir (2015) that a positive and significant influence is created by corporate culture on long-term economic performance of an organization. It was found by the researchers that organizations in which key leadership and management includes cultural traits perform better than those organizations without such traits of culture.

It was recommended that the failure or success of an organization could be determined by its corporate culture, which will become even more important over the next decade. OP is a crucial organizational factor, which is the key driver for high performance of a business. It was stated by Muhammad (2018) that using a sample of 7619 small and big companies in over 26 countries from 1990-2007, it has been found that there is strong association between business performance and culture. More than 35 performance measures identified this positive association such as return on investment, market share, customer retention, growth of revenue, sales of new product and employee performance. It was reported by Altaf et al. (2019) that firms with a culture, which improves their performance, has increased their new income by 75% during years 1977-1988 in contrast to the firms that did not have performance enhancing culture over the same period. The organizational effectiveness and performance is

influenced by its culture, which is a significant internal factor. Organizational culture can influence every aspect of an organization. Moreover, there is less empirical studies supporting the influence of organizational culture on the organizations, which are profit oriented. A number of studies have worked on the performance of an organization in terms of culture. The findings of these studies are mix. Strategies, which are advantageous from internal and external customers, are promoted by a shared and good organizational culture (Naranjo-Valencia et al., 2016). Similarly, the activities, behaviors, and performance of an organization are influenced by organizational culture. However, there is need to analyze the influence of organizational culture on other variables and performance. Therefore, the following research hypothesis has been developed based on the above discussion:
H2: Organizational culture (OCL) has significant impact on the performance.

1.4 Organizational Commitment and Strategic Orientation

A number of opportunities are created through development of effective strategic orientation for the organization (Jansson et al., 2017). Strategic orientation is a vial tool, which can result in longevity and success of the organization. Moreover, a number of variables including market orientation, entrepreneurial orientation, learning orientation, and competitor orientation have been used as strategic orientation components in the field of entrepreneurship and strategic management (Gruber-Muecke & Hofer, 2015). Therefore, strategic orientation is defined by the type of strategy of an organization. The relation between hard and soft strategic HRM orientations and organizational commitment was investigated by Muhammad (2018) with reference to the emerging economy. The all the components of organizational commitment i.e. normative, continuance, and affective were incorporated in the study.

The influence of alignment between customer orientation of an organization and employees was analyzed by Jansson et al. (2017) on organizational commitment. It was found by the researcher that when there is alignment and match between customer orientation and employees of an organization, organizational commitment is higher and vice versa. In the similar way, it was found by Gruber-Muecke and Hofer (2015) that there is a significant association between organizational commitment, customer orientation, and job satisfaction. Moreover, the influence of three cultural orientations i.e. innovative orientation, bureaucratic orientations, and supportive orientation was analyzed by Jansson et al. (2017) on organizational commitment. It was found by the study that there is a positive effect of supportive and innovative orientation on organizational commitment.

The employees are restricted by issues with management to maintain a sufficient organizational commitment level. The influence of training was examined by Gruber-Muecke and Hofer (2015) on affective commitment. The researchers considered two dimensions of strategic orientation including performance goal and learning goal orientation. It was found by the study that the relation between affective commitment and training is strongly moderated by learning goal orientation (Masa'deh et al., 2017). However, the relation between the variables was not moderated by performance goal orientation.

In the similar way, a positive association was found between career commitment and strategic orientation i.e. learning and goal orientation. The relation between organizational commitment and goal orientation i.e. performance goal and learning goal was analyzed by Ogunyomi and Bruning (2016) It was found by the results that there is positive association of learning goal orientation with organizational commitment. However, performance goal orientation has no relation with organizational commitment. The relation between organizational commitment with goal orientation i.e. performance orientation and mastery orientation were investigated by Felin et al. (2015). The researcher found that there is positive relation between mastery orientation and organizational commitment while performance orientation is weakly associated with organizational commitment.

It has been suggested by evidences that organizational commitment can be developed through strategic orientation. Since 1960s, organizational commitment has been studied by researchers Yousef (2017). A number of studies have studied the influence of various types of organizational orientations on commitment for organization (Tajeddin & Carney, 2019). However, a limited number of studies has worked on the association between organizational commitment and strategic orientation. The above discussion leads to the development of following research hypothesis:

H3: strategic orientation (SO) has significant impact on the organizational commitment (OC)

1.5 Organizational Commitment and Organizational Culture

A strong influence is created by the attitudes and behavior of employees on organizational culture. Norms and standards are involved in organizational culture, which sets the way for employee's behavior in an organization (Fraj et al., 2015). The culture of an organization direct, govern and temper the employees and managers. The perceptions, feelings, decisions, behaviors, and actions of employees are influenced by the culture of an organization (Kasemsap, 2017). This behavior of employees involves their commitment with the organization. A crucial role is played by organizational culture in the development of organizational commitment and job satisfaction among the employees. In the similar way, organizational culture was identified by (Kocak et al. (2017) and Felin et al. (2015) as the determinant of organizational commitment.

A number of researchers have worked on organizational culture. It has been summarized by the studies that commitment of employees is generated through organizational culture and it improves their performance. The research studies on types of organizational culture have been conducted in various settings of countries and industries. It was found that innovative and supportive culture creates a strong influence on job satisfaction and organizational commitment. However, a negative impression is created by bureaucratic culture (Fraj et al., 2015). It has been found by previous studies that there is an association between organizational commitment and organizational culture (Tajeddin & Carney, 2019). The relation between the variables is based on the culture of an organization and its type.

H4: Organizational culture has significant impact on the organizational commitment (OC)

1.6 Organizational Performance and Organizational Commitment

Considerable research has been carried out on organizational commitment over the last two decades (Pradhan & Pradhan, 2015). Organizational commitment is linked with a number of outcomes, which influence organizational performance. The employees are motivated to contribute positively in the organizational output. The researchers have found that performance, organizational citizenship behavior, and work effort is improved through organizational commitment. Further, organizational commitment is negatively associated with stress at workplace, intention to leave, turnover, and absenteeism (Muhammad, 2018; Bogdanović, Vetráková, Filip, 2018).

It has been realized by most of the organizations that a crucial role is played by the worker's performance in determining organizational success. Moreover, managers and employers should know about the ways to get best of their employees. A key determinant of the performance of workers is considered as employee commitment. It was found by Ogunyomi and Bruning (2016) that the relation between performance and job attitude is confusing. The researchers conducted the research using micro-level orientation. It was proposed by researchers in 1960s that OP is the outcome of commitment and experience of employees. Therefore, best of human state is referred as integrity. The higher the commitment among humans, the better will be their performance and outcomes (Kasemsap, 2017). It was concluded by Valmohammadi and Roshanzamir (2015) that high employee commitment can be achieved through OP. It was also found by the researcher that organizational commitment supports in improving the

organizational productivity. It was found by Kasemsap (2017) that probability of employees' intention to leave the organization is reduced through employee commitment. It was analyzed by Ogunyomi and Bruning (2016) that higher OP is resulted because of committed employees. In this way, a low number of employees leave the organization.

The core behavior of employees and behavioral variables including turnover intention results in effective organizational commitment. It was found that there is a positive association of organizational commitment with several favorable outcomes at work. Organizational commitment is regarded as a key force behind the performance of an organization. The performance of an organization is positively associated with organizational commitment of employees, motivation, job satisfaction, and citizenship behavior of organization. It was also found by studies that there is negative association of organizational commitment with turnover rate. The influence of organizational commitment on organizational performance was investigated by Liu and Atuahene-Gima (2018). The sample used by the researchers was based on 78 firms from cultural area of Germany.

The above discussion leads to the development of following research hypothesis:

H5: Organizational commitment (OC) has significant impact on the performance of the firm (FP).

H6: Organizational commitment (OC) has significant mediating role in the relationship between the strategic orientation (SO) and the firm performance (FP).

H7: Organizational commitment (OC) has significant mediating role in the relationship between the organizational culture (OCL) and the firm performance (FP)

2. Methodology

Data has been collected through survey approach in this research. A questionnaire based on structured questions was developed with reference to the objectives of the research. The data was analyzed using structural equation modelling that is regarded as technique of second generation. This is referred as second-generation technique due to some limitations of first-generation techniques. Researcher is enabled to estimate the relation among the variables for a number of complicated models simultaneously in PLS-SEM method (Hair et al., 2016). Researcher becomes able to develop unobserved variables through measurement errors and indicators in the same model. Therefore, it can be said that the first generation's limitations are resolved in SEM modelling that is technique of second generation (Hair et al., 2016). The response rate in the current study is 63.4 percent.

3. Results

The conceptual and theoretical model is tested in SEM, which is a statistical approach. The researcher is allowed to identify the relation between unobserved variables at earlier stated and significant insights can be found. The attribute of factor analysis, multiple regression characteristics are combined in SEM approach for determine the number of dependent associations simultaneously (Hair et al., 2013). PLS can help in integration of other approaches including classical test theory, ANOVA (variance analysis), econometric modelling, principal component analysis, non-recursive and recursive path analysis. The dependent relation with unobserved variables is shown in multivariate data for path analysis. The validity, uni-dimensionality, and reliability of every individual construct can be accessed through PLS. The measurement model (MM) can be evaluated through determination of reliability and validity of measured items. See Figure 1 and Table 1.

Figure 1. Measurement Model

Table 1. Outer Loadings

	OCL	OCM	P	SO
OCL1	0.901			
OCL2	0.896			
OCL3	0.913			
OCL4	0.860			
OCL5	0.824			
OCL6	0.877			
OCL7	0.886			
OCL8	0.878			
OCM1		0.926		
OCM2		0.898		
OCM3		0.881		
OCM4		0.894		
OCM5		0.839		
P1			0.895	
P10			0.894	
P11			0.732	
P12			0.775	
P2			0.862	
P3			0.874	
P5			0.882	
P6			0.807	
P8			0.886	
P9			0.879	

S08				0.843
SO2				0.880
SO3				0.894
SO4				0.871
SO5				0.904
SO6				0.879
SO7				0.885
SO1				0.886

The standards for validity determination should be considered in assessing MM. Discriminant and convergent validity are two validity measures (Henseler et al., 2012). Convergent validity is referred as the level at which one scale's score is linked with the score of other scales that are formed for the factor loadings estimation of similar construct. The scope at which different items measure the same construct must be given a high percentage of change in common (Hair et al., 2013). In convergent validity, the AVE (Average Variance Extracted), CR (Composite Reliability), and indicator reliability should be determined. The next criteria for determining measure items' internal reliability are to estimate CR. The level, where unobserved variables with observed variables can be described, is referred as CR. CR is defined through value of Cronbach's alpha (Henseler et al., 2012).

The level at which different items measure the same construct at higher percentage change is allocated in common, which is referred as AVE (Hair et al., 2016). It has been stated by Henseler et al. (2012) that the level at which different research items measure the same concept is referred as AVE. The value of indicator's square loadings, which are linked with the AVE construct, is greater average value for them. The benchmark value for acceptance of AVE is 0.50 or greater. It reflects that the model has an appropriate level of convergent validity. When the value of AVE is greater than 0.5, it shows that unobserved variables cause more than half of the change. Therefore, the value equal or greater than 0.50 for AVE is sufficient and acceptable (Hair et al., 2016; Henseler et al., 2012). It was stated by Hair et al. (2013) that when the factor loading value is 0.708, the AVE square root value is 0.5. See Table 2.

Table 2. Reliability

	Cronbach's Alpha	rho_A	CR	(AVE)
OCL	0.958	0.959	0.965	0.774
OCM	0.933	0.934	0.949	0.789
P	0.957	0.960	0.963	0.723
SO	0.958	0.959	0.965	0.775

Discriminant validity is another criterion for determining the measurement model. This validity has been determined to evaluate the difference between two different theoretical concepts (Henseler et al., 2012). According to the study conducted by Hair et al. (2016), discriminant validity is referred as the situation where two different concepts have no association with one another. The criteria of Fornell-Larcker and cross loadings have been used to determine discriminant validity. The association between construct must be contradictory with the square root of AVE for the similar construct, as per the criterion of Fornell-Larcker. Moreover, all diagonal values are included, which should be greater than the related constructs (Chin, 2010). The second criteria for determining DV is through cross loadings. The value of every indicator should be greater than the cross loadings to determine DV (Götz et al., 2010; Hair et al., 2016). See Table 3.

Table 3. Validity

	OCL	OCM	P	SO
OCL	0.880			
OCM	0.691	0.888		
P	0.587	0.824	0.850	
SO	0.737	0.690	0.836	0.880

Further, structural model has been used for testing of hypotheses in research. When suitable measures are confirmed, it is vital to show proofs for supporting theoretical models as in the portion of structural models. The relation between unobserved variables is categorized in structural model. There is need for the researcher to comply with different criteria to determine the structure model as in the measurement model. The main criteria for determining structural model are through t-value, p-value, standard error, and R2 (coefficient of determination) (Hair et al., 2016; Henseler et al., 2012). See Figure 2 and Table 4.

Figure 2. Structural Model

The results of the study highlights that all the path except SO -> P are significant at p less than 0.05

Table 4. Direct Relationship

	(O)	(M)	(STDEV)	T Statistics	P Values
OCL -> OCM	0.371	0.368	0.141	2.629	0.004
OCL -> P	0.697	0.703	0.169	4.120	0.000
OCM -> P	0.246	0.247	0.134	1.833	0.033
SO -> OCM	0.342	0.347	0.146	2.342	0.010
SO -> P	-0.117	-0.120	0.186	0.630	0.264

The mediation of the OCM, is explained in the table 5 below. Both path OCL -> OCM -> P, and SO -> OCM -> P, explaining the mediating role are significant at p value less than 0.05. See Table 5.

Table 5. Mediation

	(O)	(M)	(STDEV)	T Statistics	P Values
OCL -> OCM -> P	0.491	0.088	0.059	3.533	0.000
SO -> OCM -> P	0.584	0.088	0.065	4.292	0.000

The alternative way to determine structural model is through coefficient of determination (Götz et al.,2010). A crucial role is played by R² in research. It determines the goodness of fit and percentage of variations in the endogenous variable by exogenous variables. It has been stated by Götz et al. (2010) that the R square value is sufficient when it is greater than 1.5%. However, the range of R² value is different as suggested by Hair et al.(2013). The researcher suggested that the R square value lie between 0.02 and 0.12, when it is weak. The values such as 0.13 – 0.25 are regarded moderate. According to Hair et al. (2013), the value of R² is based on the research context. For instance, in a study conducted by Götz et al. (2010), the R² value was 31.5 percent. However, the value of R² in the research of Rodrigues and Raposo (2011) was 19.7%. See Table 6.

Table 6. R-Square

	R Square
OCM	0.492
P	0.347

Conclusion

It was revealed by the study that a significant influence is created by organizational commitment on organizational performance. Therefore, a number of literature studies have found the relation between OP and organizational commitment. However, a limited number of studies have incorporated organizational commitment at the organizational level and its association with organizational performance.

Managers are working to develop commitment among employees for the organization, which can support in the achievement of competitive advantage. Moreover, the attitude of work including absenteeism, job satisfaction, low intention for turnover, and performance is improved. The key values and a supporting environment for work are developed in the organization through its culture. Positive contributions are made by the employees in organizational success, who are committed to the organization (Matthias et al., 2016). It has been established by previous research studies that organizational culture is a key determinant for organizational commitment. This is because of its ability to develop human behavior within the organization. Irrespective of the significant of organizational culture, a gap exists in terms of evidence about the relation of organizational commitment and organizational culture.

It was revealed by the results that a significant and positive relation exists between hard/soft HR strategic orientations, continuance, and affective components of commitment. However, there was negative association of normative commitment with hard HR. The caring organizational attitude with its employees is regarded as soft HR and limited or rigid behavior is indicated by hard HR. It was recommended by the study that strategic practices and policies of HR should be developed by organizations, which may retain organizational commitment among the employees as well as improved performance.

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