

## ARTICLE

# EXPLAINING EFFECTS OF STRATEGIC FACTORS ON ORGANIZATIONAL PERFORMANCE THROUGH ENTREPRENEURSHIP IN MANUFACTURING COMPANIES AT GILAN PROVINCE

Ali Yousefi

*Department of business Management, Astara branch, Islamic Azad University, Astara, IRAN*

## ABSTRACT

Nowadays, attentions are drawn to strategic factors, innovation, and learning in organizations which produce wealth, and competitive advantages. Entrepreneurship creates organizational learning and allows strategic innovation in organization that lead to improve performance. This study aims to investigate role of strategic factors on organizational performance through entrepreneurship in manufacturing companies at Gilan province. The research method was descriptive and correlational. In the research, 131 companies are selected as sample using random convenience sampling. Using simple and multiple regression models, we investigate role of strategic factors on organizational performance through entrepreneurship. The findings imply that strategic factors impact on organizational performance positively, and any test results show that whole of components related to strategic factors have significant relation with entrepreneurship at relevant companies at 95% level. Organizational performance has same relation with entrepreneurship. As well as, strategic factors impact on organizational performance through entrepreneurship positively.

## INTRODUCTION

In this high-competitive era, organizations are faced with environment which has increased complexity, globalization, and dynamism. It is generally confirmed that a value is achieved by improving organizational performance persistently leads to dynamism [1]. In the organization field, for decades, researchers argue that performance is discovery and exportation at the same time. Also, performance is defined as trying to survival and dedicating time and energy to discover resources in order to future survival [2]. Organizational performance relies on performance of human resources and their interaction with resources, facilities, and technology in the organization [3]. Nowadays, attentions are drawn to strategic factors, innovation, and learning in organizations which produce wealth, and competitive advantages. Entrepreneurship creates organizational learning and allows strategic innovation in organization that lead to improve performance. Since 1950 decade, growing global competition, economic developments, and technologic advancements result in fundamental changes in the inter-organization systems. Strategic factors, structure, and generally inside of organization were considered by researchers. Changing external forces result in changing in demands to industrial and consumable products and services. After understanding instability and role of environment on their fate, organizations adjust themselves with it. In this regard, many studies and evidences imply successful organizations (performance) have higher attention than unsuccessful one to environment [4]. Manufacturing companies as a most prominent economic institute have important role on economic and commercial activities so that reinforce economic development infrastructure [5]. Garcia et al. (2006) showed that in order to achieve a desired level of organizational performance and improve it, we must reinforce different strategic capabilities. They said that abilities and capacities must be created, integrated, and configured. This requires integration of some strategic factors and capabilities including individual dominance, transformational leadership, common ideals, proactiveness, and environment. According to them, strategic factors lead to deal with rapidly changing environment, increase competitive advantages, and improve organizational performance [6]. According to above discussion, this study aims to examine strategic factors which influencing on organizational performance through entrepreneurship. These factors are tested using simple linear and multiple regression equations. In the next sections, we review theoretical basics about strategic factors, entrepreneurship, and organizational performance. Then, we present a framework to relate strategic influencing factors and organizational performance. As well as, methodology is discussed and finally, findings, applied concepts, and research limitations are presented.

## Theoretical Basics and Conceptual Model

### Organizational Performance

Organizations improve themselves persistently to survive and progress in today competitive world. Performance is referred to how conduct tasks, activities, and their results [8]. Schermerhorn et al. argue that performance is referred to quality and amount of individual and collective achievements [7]. According to Armstrong, performance is a strategy that based on fundamental analysis and achieved performance levels [6]. Organizational Performance (OP) is how conduct tasks, activities, and their results. In other words, organizational performance can be defined as measurable results of organization decisions and actions. It shows amount of goals achievement. In fact, it can be defined as indicator to measure achievement level of effective and good actions toward defined tasks. Organizational performance can be evaluated through organizational effectiveness and efficiency to meet goals [3].

### KEY WORDS

Organizational  
Performance,  
Entrepreneurship,  
Strategic Management,  
Transformational  
Leadership

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\*Corresponding Author  
Email: Ali\_yousefi64@yahoo.com

Tel.: +98-938-132-4277  
Fax: +98-133-325-2095

Organizational performance is resulted from operational processes of organization. Performance is abilities of organization not only to increase their competitiveness but also maintain competitive position in comparison to rivals [6]. Organizational performance is defined as integration of economic performance at any moment to form a long-term indicator. In the organization field, for decades, researchers argue that performance is discovery and exportation at the same time. Also, performance is defined as trying to survival and dedicating time and energy to discover resources in order to future survival [2]. It can be defined as organizational achievement across time, and its abilities to meet environment and other stakeholders' demands [4]. Organizational performance relies on performance of human resources and their interaction with resources, facilities, and technology in the organization [8]. In this research, performance organizational is the dependent variable and measured by compare organizational performance with main rivals.

### Entrepreneurship

In the new era, competition for resources and capitals are very common. Big industrial countries, winners of the competition, are focused on resource and capital productivity and with their educated and expert people help them to develop and innovate. This innovation, which based on entrepreneurship leads to revive economy of developed countries [9]. Entrepreneurship leads to increase economic growth as it drive community toward innovative and technical changes. Also, it has high importance due to it convert new knowledge to new product and service. In addition to employment, it improves quality of life, distributes income properly, and decline social anxiety, and increase financial resource efficiency. Entrepreneurship is a new technical-economic phenomenon which transforms world, economics, and industry across two decades ago. Today, our country has shortages and mismanagement which lead to unemployment, low GDP, declined state investment, defected non-oil exports and so on, with glimpse to global economy, it can be said that entrepreneurship and its culture is a sole way to revive today economy and prevent declining future economy. Of course, we must employ it cleverly and adjust it based on our culture, facilities, abilities, and tastes [10]. Deracker argue that entrepreneurship requires employing management concepts and techniques, product standardization, employing tools and designing plan based on learning and analysis. He defined it as a particular attributes in the people [11]. Kerzner, a professor of New York university, explain it as follows: "entrepreneurship means that more mutual compliance and coordination in operations of markets" [12]. It is a process which leads to satisfaction or a new demand [16]. Entrepreneurship is a process value-creating by forming a unique set of resources in order to take advantage an opportunity [13]. According to Col, it is a purposeful activity which leads to improve or maintain economic unit through individual or collective decisions. On the other side, He argues that entrepreneurship culture is emanated from risk-taking, opportunity tracking, and needs meeting through innovation and establishing a business. Batist defined entrepreneurship as to improve resource efficiency [14]. Josef Shompiter argues that innovation is resulted from entrepreneurship and it required a person with extraordinary attributes. This person must aims to build a private territory and have motivation to resolve problems and his pleasure at skill creating and employing to become an entrepreneur [15]. Stivenson et al. argue that entrepreneurship is a process in which opportunities are tracked for self or its organization regardless resources [16]. Timones define it as ability to create and build a valuable thing from nothing. It can be defined as launching, handling, and achieving, and founding a company or an organization [2]. Hisrich assume entrepreneurship process as to create a new something which requires spending much time and efforts and taking financial, mental, and social risk. Finally, it leads to acquire financial resource, personal satisfaction, and independence. This results from arranged activities which bridges between creativity and innovation with market requirements and opportunities. In other words, entrepreneurship is not creating a new product and service, but this product must be appropriate to market needs and demands [17]. Common features of entrepreneurship definitions are: responsibility, economic, risk-taking, value creating, using environment possibilities, combinational form, rationality, manufacturing nature, self-reliance, self-confidence, organizing, voluntariness, binding, creativeness, and perseverance [10]. In this research, entrepreneurship is mediator variable which measured based on factors such as organizational learning and innovation. We must provide necessary conditions for humans to create a culture which encourage innovative orientation. Different definitions on innovation are presented in organizational studies. Novelty and imitative are main aspects of innovation definitions [6]. Organizational learning is defined as collective capabilities, based on experience and cognition, include knowledge acquiring, sharing, and employing. Due to importance of innovation effects on organization, researchers emphasize growing attention toward organizational learning, which have key role in the organizational innovation. It is assumed that learning is a key factor allows companies to acquire information quickly and flexible innovation process [18].

### Strategic factors impacting on organizational performance

Today, organizations are faced growing challenges as unexpected trends across political, social, cultural, and technological aspects are coming. This forces organizations to permanently and quickly acquire new strategic competitive advantages and as such overtake rivals [19]. Strategies are set of processes and decisions which human made and effective use of them ensure that strategic and financial issues are lowest [20]. Strategy in first sense is a mental concept. This means that all strategies are abstract. Any strategy is an innovation, which emanated from individual imagination. It be whether objectives to arrange a conduct or analogical patterns to describe a occurred conduct [21].

- Strategy is a common perspective between members of an organization or a group, which based on their objectives and/or actions.

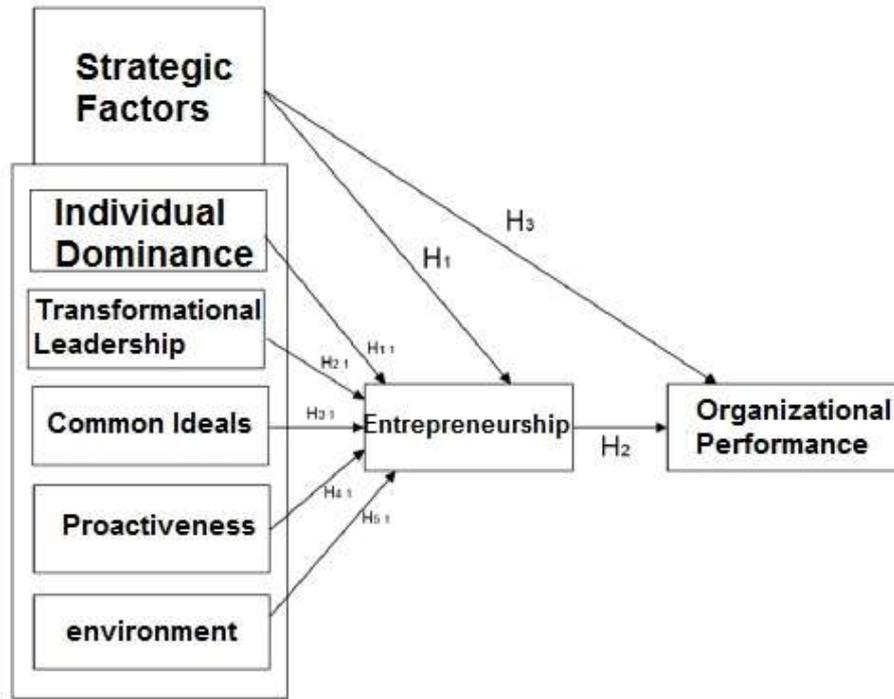
- Strategies are tools which allow company achieve long-term objectives.
- Strategy is a unit, comprehensive, and combined plan which allow organization to achieve main objectives.
- Strategy is an action period investigated by top managers intently.
- Strategy is a descriptive analysis of challenges complexity and real organizational phenomenon, therefore it ease conceptualization.

It can be said that there isn't unique definition for strategy; we have many definition for it. Strategy is an action and decision pattern which occurs out of time. Efficient strategy is determined by managers prior or emerged based on decisions and actions of relevant group at once. Organizational strategy has a prominent feature, integration. This means that it include most parts of organization and impact of them. Menitzberg points that strategy employed in the different formats such as formal plan, deception of rivals, position in the costumers mind, perspectives of staffs and other concepts. However, in all cases, organizational decisions and actions patterns are clear [21]. In this research, independent variable is strategic factors, which is defined as set of capabilities which lead to deal with rapidly changing environment, increase competitive advantages, and improve organizational performance. These factors are measured by components such as individual dominance, transformational leadership, common ideals, proactiveness, and environment [6]. In the new organizations, peoples reinforce themselves and have individual dominance, which means self-enhancing, concentration, and re-enhancing [3]. Individual dominance, learning, and personal capacities developing leads to more desired results and creates organizational environment in which all peoples try their capabilities to achieve their desired objectives [6]. Confident peoples should gain intellectual, research, problem-solving, and social skills and must tolerate ambiguity. They have responsibilities to gain knowledge and confidence. As well as, they give important information to others, improve their skills, improve their positions in organization by gaining new skills, and discover and employ their capabilities [15]. Experimental research confirm that transformational leadership increase efficiency and valuable information, which lead to improve organizational performance. Transformational leadership is committed to develop and promote human resource professionally. Therefore, leader as diver of innovative culture and distributor of knowledge in the organization pursuit best organizational performance and impacts on it through entrepreneurial culture, knowledge management, flexibility, human resource management, and increased human capital [6,3]. Common ideals mean shared perspective and insight between members of organization. Common ideals can unit whole organization in the unified climate. These ideals are resulted from collective learning which created by strategic level of organization and required by operational learning. Management must balance authority and resource to lead staffs and create collective identity. Therefore, a new identity is emerged with common ideals and collective arranged operation [10]. Proactiveness is organizational capabilities to promote changes and developments and response to events, which include gaining initiative. Proactiveness is prediction of forces and conditions, which impact on organization. It tries to control environment rather than adapt with it [6]. Environment effects on strategy, structure, and generally inside of organization has been considered by researchers. hanging external forces result in changing in demands to industrial and consumable products and services. After understanding instability and role of environment on their fate, organizations adjust themselves with it. In this regard, many studies and evidences imply successful organizations (performance) have higher attention than unsuccessful one to environment [10]. This is environment that determine amount of progressiveness required by competitiveness, and main source of opportunities and threats and organizations try adapting themselves with it. Environment can be rather stable or ambiguous, hostile and complicated [6].

### Model and research hypotheses

Garcia et al. (2006) suggest that we can use strategic factors including individual dominance, transformational leadership, common ideals, proactiveness, and environment to improve organizational performance. They show that in order to achieve a desired level of organizational performance and improve it, we must reinforce different strategic capabilities. They said that abilities and capacities must be created, integrated, and configured. This requires integration of some strategic factors and capabilities which lead to deal with rapidly changing environment, increase competitive advantages, and improve organizational performance. These strategic capabilities and factors and their relations improve organizational entrepreneurship by positive impact on organizational innovation and learning, therefore, they improve organizational performance through entrepreneurship [6].

Figure 1 shows research model.



**Fig 1.** Conceptual model of research (Garcia-Morales et al., 2006)

According to the variables, and research method, hypotheses are as follows:

Hypotheses 1: strategic factors impact on entrepreneurship positively in manufacturing companies at Gilan province.

Hypotheses 1.1: individual dominance impact on entrepreneurship positively in manufacturing companies at Gilan province.

Hypotheses 1.2: transformational leadership impact on entrepreneurship positively in manufacturing companies at Gilan province.

Hypotheses 1.3: common ideals impact on entrepreneurship positively in manufacturing companies at Gilan province.

Hypotheses 1.4: proactiveness impact on entrepreneurship positively in manufacturing companies at Gilan province.

Hypotheses 1.5: environment impact on entrepreneurship positively in manufacturing companies at Gilan province.

Hypotheses 2: entrepreneurship impact on organizational performance positively in manufacturing companies at Gilan province.

Hypotheses 3: strategic factors impact on organizational performance positively in manufacturing companies at Gilan province through entrepreneurship

## METHOD

The research method is descriptive and correlational in which correlation between criterion and predictor variables are showed. In regard to monitoring and control level, this is field research as variables are investigated naturally. In regard to objectives, this is applied research and hypotheses are evaluated at 95 % confidence level. Statistical population was manufacturing companies at Gilan province. Among this, after preliminary study on 30 companies and determining standard deviation, sample size is evaluated 131 using Cochran formula a 5% error rate and precision equaled to 0.11. In the research, simple random method is used to sample data. A questionnaire is used to collect data which has 3 sections. Section 1 includes questions about strategic factors including five components and 20 questions are used to evaluate those factors (item 1 to 20). These questions are adapted from Garcia's (2006) standard questionnaire. In this section, respondents were asked to rate questionnaire with a Likert's 7 points scale (1=fully Agree, 7=fully disagree). In section 2, questions related to entrepreneurship are presented. This section has 2 components and to measure those, we propose 11 questions (item 21 to 31) based on Garcia (2006) standard questionnaire. In this section, respondents were asked to rate questionnaire with a Likert's 7 points scale (1=fully Agree, 7=fully disagree). In section 3, we used 2 components with 13

questions (item 32 to 44) to measure organizational performance based on Garcia (2006). Again, respondents were asked to rate questionnaire with a Likert's 7 points scale (1=fully Agree, 7=fully disagree). Questions related to theoretical basics are proposed based on details of any variables and experts were consulted to examine reliability of questionnaire. Then, we distributed it. Therefore, question reliability are confirmed formally. To determine reliability of questionnaire, Cronbach's alpha was used based on below [Table 1].

**Table 1:** Reliability of variables based on Cronbach's alpha coefficient

Variables	Chronbach's Alpha	Number of Questions
Strategic Factors	90.1	20
Entrepreneurship	94.5	11
Organizational Performance	96	13

In second stage, linear and multiple regression equations in Spss 22 are used to whether confirm or reject hypotheses.

### FINDINGS

In the [Table 2], mean, standard deviation, and variance of variables are presented. As you can see, strategic common ideals has highest mean and organizational financial performance has lowest one.

**Table 2:** Descriptive statistical findings

Research Variables	Mean	Standard Deviation	Variance
Strategic individual dominance	5.0191	0.45524	0.207
Transformational leadership	4.9623	0.52154	0.272
Strategic common ideals	5.0248	0.43401	0.188
Strategic proactiveness	4.7805	0.77138	0.595
Strategic environment	4.7542	0.61856	0.383
Strategic factors	4.8315	0.40299	0.162
Organizational Innovation	4.6197	0.77141	0.595
Organizational learning	4.6286	0.62901	0.396
Entrepreneurship	4.6325	0.68964	0.576
Organizational financial performance	4.6180	0.54929	0.302
Organizational performance in comparison to rivals	4.6697	0.50553	0.256
Organizational performance	4.6536	0.51001	0.260

After that we tested normality of primary variables distribution using Kolmogorov-Smirnov test in order to use parametric test, Pearson's correlational coefficient test are used to measure correlation between variables. According to correlational coefficient in table 3, it can be found that correlation between variables is less than 0.05 and it can be said that variables are related significantly with 95% confidence level.

**Table 3:** Summary of correlational coefficient matrix between variables

Research Variables	Strategic Factors	Entrepreneurship	Organizational Performance
Organizational Factors	1		
Entrepreneurship		1	
Organizational Performance			1

In the [Table 4], we present test results of hypotheses. As you can see, all hypotheses are confirmed.

**Table 4:** Summary of results from analyzing research data using regression equations method

Hypothesis	Predictor	Criterion Variable	Regression Coefficient	Standard Deviation	Durbin-Watson	Significant Relation	Results
H1	Strategic Factors	Entrepreneurship	0.922	0.121	2.170	Yes	Confirmed
H1 1	Individual Dominance	Entrepreneurship	0.955	0.082	2.125	Yes	Confirmed
H2 1	Transformational Leadership	Entrepreneurship	0.833	0.134	1.661	Yes	Confirmed
H3 1	Common Ideals	Entrepreneurship	0.878	0.13	1.826	Yes	Confirmed
H4 1	Proactiveness	Entrepreneurship	0.799	0.098	1.723	Yes	Confirmed
H4 1	Environment	Entrepreneurship	0.684	0.148	1.792	Yes	Confirmed
H2	Entrepreneurship	Organizational Performance	0.887	0.32636	1.859	Yes	Confirmed
H3	Strategic Factors	Organizational Performance	0.883	0.24794	1.881	Yes	Confirmed

## CONCLUSION

This research attempts to examine effects of strategic factors in organizational performance. The results imply that strategic factors such as individual dominance, transformational leadership, common ideals, proactiveness, and environment through entrepreneurship indicator have direct and indirect effects on organizational performance.

It is suggested that manufacturing companies' managers can improve skills, competencies, and abilities of their staffs and increase their self-confidence, and create motivation as driver of qualified staffs toward to efficiency and achievement. Therefore, they can increase individual dominance of staffs. Managers should state attractive comments, and reinforce positive attitude in staffs. They should see staffs' reaction and express feeling based on positive motivation emotions of staff. Also, they should identify clear landscape, goal, and missions for company so that staffs can understand those and have commitment and interest. These should be general principles and main criteria to design and implement programs and more importantly, they should be based on creativity and innovation to guild business strategies properly. Also, companies must integrate with their environment to maintain their competitiveness and innovativeness.

This harmony implies that companies must have potential to learn, unlearn, and relearn. Organizational learning allow organization to understand and interpret environment and develop appropriate strategies to deal with it.

#### CONFLICT OF INTEREST

Authors declare no conflict of interest.

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