

Business Strategy with Uncertainty and Performance in Freight Forwarding Industry

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Abstract

Business strategy is indispensable to a company which can become more active and sensitive to future threats. For external factor, environmental uncertainty need to be consider for improving their strategy. This research will discuss the linkage among business strategy with uncertainty and performance in the field of freight forwarder Indonesia's financial and non-financial. The required data are questionnaire survey and using the data from some companies to analyze with approach of porter strategy, before testing analysis, factor score of questionnaire will be calculated first and tested for linking of the factor with regression test , after that ANOVA test allowing correlation, whether accepted or declined significantly.

Keywords

Business Strategy, Performance, uncertainty, Freight Forwarding, Linkage

1. Introduction

In business, for achieving goals and objectives will invariably demand meticulous planning and execution. Business strategy is the way in which achieve competitive advantage (Shavarini, Salimian & Alborzi ,2013). For many observers , Bastian & Muchlish (2012) , Business strategy and organizational performance significant positively associated and having clear strategic vision serves as the key foundation for subsequent performance . According to Shavarini, Salimian & Alborzi (2013), to achieve such success, an organization usually develops a strategy (Wheelen and Hunger, 2000). Strategy has vertical interaction between environment and performance to get competitive advantage. It's already found in several study for case hospitality industry, there're significant interaction (Koseoglu, Topaloglu, Parnell & Lester, 2013).

The linkage of strategy and performance is central in strategic management research of the numerous strategic typologies. Miles and Snow's (1978) framework has been the most enduring, scrutinized and validated strategy classification. However, there is a need of further refinements in methodology for empirical validation and testing of its underlying assumptions in different contexts and with different measures. (Koseoglu, Topaloglu, Parnell & Lester, 2013).

Wernerfelt (1984) said the performance of measurement, partial support was found a direct relationship between environmental uncertainty among both financial and non-financial performance (Koseoglu, Topaloglu, Parnell & Lester, 2013). As per Govindarajan (1984) argue that Environmental uncertainty is a factor that effects for performance evaluation, and their conclusion that environmental uncertainty is considered high then information such as performance benchmarks based on more extensive external and future oriented, non-financial aspects and the qualitative will manage uncertainty (Bastian & Muchlish ,2012).

The performance paradigm of strategy structure, As a body of work, they have deemphasized environmental effects (Nandakumar et al., 2010) and roles played by cultural and economic development for developing nations (Grozniak and Maslaric, 2010; Beneke, 2010).

In this research, will discuss the linkage among business strategy with uncertainty and performance in the field of freight forwarder Indonesia's financial and non-financial with approaches general strategic, they are porter strategy . For knowing impact for this interaction of growing company and getting competitive advantage.

2. Literature Review

Miles and Snow (1978, 1986) evaluated organizations with regard to the entrepreneurial, engineering and administration functions; they proposed four strategix approaches to account for the combinations of functions and activities typically seen at the business level. These generic strategies are prospectors, analyzers, defenders and reactors are elaborated below within the framework of environmental uncertainties pertaining to markets, competition and technology (Koseoglu, Topaloglu, Parnell & Lester, 2013).

Porter (1980) proposed the position approach to explain how organizations gain competitive advantage and outperform their rivals. According to Porter, organizations can choose a cost leadership or a differentiation strategy; either approach can be employed for the entire market or can be integrated with an emphasis on a distinct segment (i.e., focus). Porter insisted that business must choose either cost leadership or differentiation because of inherent trade offs , combining the two leaves on organization “ Stuck in the Middle” (Porter,1980 p 41).

Ravasi and Phillips Ward et al., (2011), Strategic alignment is the vertical linkage within a firm that helps support and realize the organization's objective and facilitates the integration of internal resources at all levels in ways that are consistent with the overall strategy (Yuliansyah,Rammal & Rose , 2016). Meuter et al., 2005; Roth and Van Der Velde, 1991) said ,In the service sector, performance indicators are more closely connected to issues of service quality to be more competitive an organization should place emphasis on providing higher quality performance than other firms, and the value chain, information technology (IT) and human capital should be aligned with the overall strategy (Yuliansyah,Rammal & Rose , 2016).

Henri (2006) states that performance measurement system has positive and significant effect on the performance (Bastian & Muchlish, 2012). The study of hoque (2004) , for using typology strategy Miles and Snow that there's no direct relationship between bussines unit strategy and organizational performance but there's significant positive relationship between the strategy and non-financial measures in performance evaluations (Bastian & Muchlish, 2012).

Gao and Tang (2010) argue that strategic uncertainty is the primary basis for potential threats and opportunities. High uncertainties in complex, unstable, and poorly informed environments (Duncan, 1972; Milliken, 1987; Weick, 1995). When uncertainty increases, organisation more importantly consider rolling budget and reflect on the performance of staff. Other possibilities are likely. For example, organisations might use rolling budget to evaluate staff (Bhimani, Sivabalan & Soonowalla,2017). According DeSarbo et al. (2005) John, Donald, Mehmet, 2012), Competitive environmental uncertainty, and technological environmental uncertainties are assessed through the scale developed and validated (Koseoglu, Topaloglu, Parnell & Lester, 2013).

According Segev (1989); O'Regan and Ghobadian (2006); Nerur et al., (2008); Acquaah and Yasai-Ardekani, (2008), Much of the published work at the business strategy level applies one of these two typologies (Koseoglu, Topaloglu, Parnell & Lester, 2013). For this research use the Miles and Snow typology & Porter strategy in the freight forwarding company .A number of extant studies assess the strategy–environment linkage has been done in the hospitality industry, particularly at the hotel segment and as per advice, the research can be done on othre developing countries moreover the inclusion of cultural factors can provide additional insight into the uncertainty–strategy–performance nexus (Koseoglu, Topaloglu, Parnell & Lester, 2013).

3. Theoretical Background

Strategic management can be defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives. The objectives are to utilize and create new and different opportunities for the future and explain that the strategic management process consists of three stages are formulating strategies, implementing strategies and evaluating strategies (Fred R. David, 2011). A competitive or business strategy outlines how a business unit competes within its industry. Business strategy typologies are frameworks that identify several “generic” competitive strategies available to business units (Koseoglu, Topaloglu, Parnell & Lester, 2013). Porter (1980) has divided to be business strategy types such as cost leadership,focus and differentiation:

- a. Cost: This typically centers on having the capacity to manufacture and/or retail products at a price below that of rival operators.
- b. Differentiation: Being able to provide offerings that are distinguishable from those of other firms
- c. Focus : there are focus for industry segment of sufficient size and good growth potential

Environmental uncertainty is a lack of complete information regarding what exists and what development may occur in the external environment and there are two dimension of environmental uncertainty (Schmerhorn, 2002) :

- a. Complexity
- b. Rate of change

Performance management is activities which ensure that goals are consistently being met in an effective and efficient manner. Performance management can focus on the performance of an organization, a department, employee, or even the processes to build a product or service, as well as many quantify other areas (Cokins, Wiley& sons, 2009).

Analysis of Variance (ANOVA) is a statistical method used to test differences between two or more means. ANOVA can be used for the case of a quantitative outcome with a categorical explanatory variable that has two or more levels of treatment (Miller & Haden,2006).

4. Research Methodology

Research Methodology used in this research is descriptive survey and analysis which taken from the report of several companies with questionnaires to businesses companies, the survey approach with scales that have been previously tested and validated. Environmental uncertainty was assessed via DeSarbo et al.'s (2005) scale within the context of market, technological and competitive dimensions. A five-point Likert scale (i.e., 1=strongly disagree to 5 = strongly agree) was employed by Strategy along Porter's typology and five point Likert scale was employed (i.e., 1- very low focus to 5 = very high focus) for Miles and Snow typology by James and Hatten's (1995). Hypotheses will be determine with ANOVA that generates a significant or insignificant.

5. Result

For this research, already shared questionnaire to forwarding company and the detail will be advised as below from reference Koseoglu, Topaloglu, Parnell & Lester (2013), there are :

- a. Environmental uncertainty
In environmental uncertainty, will be advised about market uncertainty, technology uncertainty and competitive uncertainty assessed via DeSarbo et al's (2005) and use a five-point likert scale (i.e., 1 = strongly disagree to 5= strongly agree) was employed.
- b. Porter's generic strategy
In porter's generic strategy, there're cost leadership, focus and differentiation. It was assessed via zahra and covin's (1993) scale, they're five point likert scale (i.e., 1= very low focus to 5= very high focus).
- c. Performance
Some argue that financial measures were most appropriate in strategy-performance studies, they was divided to be two details, no financial and financial measurement (Koseoglu, Topaloglu, Parnell & Lester (2013). The survey in the present study assessed financial measures with Ramanujam and Venkatraman's (1987) scale and non-financial performance with Avci et al.'s (2011) scale. A five-point Likert scale was employed (i.e., 1 = has deteriorated significantly, 3 = no change, 5 = has improved significantly).

Each measurement scales were analyzed before hypotheses were tested. Hence, scale of reliabilities for all already acceptable for hypothesis testing. Hypothesis were tested by ANOVA and confidence interval with 95% was applied. Below hypothesis was applied for this research (Koseoglu, Topaloglu, Parnell & Lester, 2013):

Table 1. Hypothesis

Hypotesis	Interpretation	Remark
H1. There is a relationship between Porter's typologies and environmental uncertainty	Partial Supported	strong correlation
H2 There is a relationship between Porter's typologies and financial performance .	Supported	strong correlation
H3. There is a relationship between Porter's typologies and nonfinancial.	Supported	strong correlation
H4. There is a relationship between environmental uncertainty and financial performance.	Supported	strong correlation
H5. There is a relationship between environmental uncertainty and non-financial performance	Supported	strong correlation

The table above show that there is a relationship between business strategy , environment uncertainty and performance by financial or non-financial, in table show as supported.

5. Conclusion and Future Research

Conclusions on this research, find out the linkage among performance, uncertainty and the business strategy for company by financial and non-financial in freight forwarding company. From this research , it can be reference for manager to create bussiness innovativ for growing their company in uncertainty and both of performance, financial or non financial.

The present study can be repeated in orther developing country with different cultural factor , other sector and need to be added for respondent so can go actual , validity data and hypothesis.

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Biographies

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