Business Strategies Adopted by Jordanian organizations: The Key to Sustained Competitive Advantage

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Abstract
The present study aimed at determining the business strategy types adopted by business organizations operating in Jordan. Another purpose of the study was to determine if significant differences exist in the adoption of business strategy based on line of business. A convenient and random sample of 206 managers from 35 organizations was chosen for the study. These organizations were in the following lines of business: restaurant, hotel, retail, banking, mobile, and manufacturing. Results of the study indicated that the dominant strategy type that emerged was Prospectors followed by Analyzers and Defenders. The results also indicated that the Reactor strategy type is nonexistent in business organizations operating in Jordan. Another strand of results showed that Prospector strategy type is most prevalent in the restaurant and the manufacturing sectors while the Analyzers strategy type is most common in the retail and banking sectors. Lastly, the Defenders strategy type is most common in the hotel sector. The study ended by offering a number of recommendations for the filed of study.

Keywords: Strategy types, business organizations, competitive advantage, and Jordan.
Introduction

Fluctuations in the global markets resulting from technological advancements, economic restructuring, labor movements, and public demands for better products and services have forced organizations to reconsider their business strategies in order to achieve a sustained competitive advantage. Organizations are open systems that are influenced by the external environment and should use available resources of people, structures, and processes aligned with the right business strategy to yield gains in performance, efficiency, and productivity (Matsuno & Mentzer, 2000; Miles & Snow, 1978).

The question of how should organizations compete and achieve superior performance for many lines of businesses has been the subject of extensive theoretical and empirical examination for many years. Miles and Snow's (1978) typology is perhaps the one that has received the most extensive support and validation to resolve this issue (DeSarbo, DiBenedetto, Song, & Sinha, 2005; Doty, Glick, & Huber, 1993; Hambrick, 1983; Parnell & Wright, 1993; Shortell & Zajac, 1990; Snow & Hrebniak, 1980). As noted by Hambrick (2003; p. 116), “of the several strategy classification systems introduced over the past 25 years, the Miles and Snow typology has been the most enduring, the most scrutinized, and the most used. It has been subjected to numerous tests of its validity” in a wide array of settings including hospitals, colleges, banks, life-insurance companies, and manufacturing industries. He further asserted that this typology is valid and reliable for organizations across multiple industries and multiple countries. Based on field studies conducted in various industries, Miles and Snow (1978) proposed a strategic typology classifying organizations into four different types: Prospectors, Defenders, Analyzers, and Reactors.

Prospectors are those organizations that base their success on continuous and innovative efforts to seek, locate, and exploit new product and market opportunities.
Prospectors react quickly to the dynamic and uncertain conditions of the marketplace by being the pioneer to market newly developed products and services (Miles & Snow, 1978). Blumentritt and Danis (2006) confirmed that Prospector organizations are the most dynamic being centered on the creation of innovative products and services as well as customer relationships. The need for quick responsiveness to changing market opportunities by Prospector organizations requires high flexibility, decentralized decision-making, low degree of formalization, and flat and organic organizational structure (Ruekert, Walker, & Roering 1985). For example, employees are provided with extensive training opportunities to maximize their capabilities and are provided with decision-making and risk-taking freedom and work-routine flexibility to use these capabilities to produce timely and innovative responses in their competitive industry (Vorhies & Morgan, 2003). Their main purpose is to increase customer satisfaction (customer-oriented culture) by giving better quality or innovative products (McDaniel & Kolari, 1987; McKee, Varadarajan, & Pride, 1989; Miles & Snow, 1978). Such characteristics of prospector organizations make functions diverse and interrelated to each other in a complex way in order to create innovative ideas (Damanpour, 1991; Levinthal & March, 1993).

Defenders are those organizations that attempt to locate and maintain a secure position in existing stable markets by developing long-term relationships with its customers to whom it offers a full range of products or services (DeSarbo et al., 2005). An organization following a defenders' strategy type usually compete by providing stable set of quality products or services at the lowest overall cost to achieve better performance and rarely pioneering the development of new markets or products (Conant, Mokwa, & Varadarajan, 1990). In other words, they "devote primary attention to improving the efficiency of their existing operations" (Miles & Snow, 1978; p. 29) by focusing on high
levels of customer management capabilities and on efficiency enhancing and cost cutting process innovations (Conant et al., 1990; DeSarbo et al., 2005; Walker, Craig-Lees, Hecker, & Francis, 2002). Since they are under cost pressure at all times, implementing this strategy requires an organization to configure its activities in a routine way (standardized practices) and with a narrow, less technically sophisticated production process (Ruekert & Walker, 1987). In performing such routine activities and to decrease operating loss, defender organizations should use highly centralized, formalized, and unspecialized structures providing control over the deployment of available resources and minimizing errors in executing required activities (Olson, Slater, & Hult, 2005; Ruekert & Walker, 1987; Vorhies & Morgan, 2003).

Analyzers are a unique blend of the Prospector and the Defender by combining the exploration capability and innovativeness of the prospectors to explore new products and markets (maximizing opportunities) with the defenders’ ability to serve existing markets effectively with a stable set of products and services (minimizing risks) (Miles & Snow, 1978). In stable domains, Analyzers tend to emphasis production and improved efficiency while in more turbulent domains they tend to closely monitor key competitors and adopt only those innovations which appear to have strong market potential (Day, 1994; Conant et al., 1990). Analyzers are rarely "first movers" but, instead, "watch their competitors closely for new ideas, and rapidly adopt those which appear to be most promising" (Miles & Snow, 1978; p. 29). The key to success for Analyzers is to bring out either improved or less expensive versions of products that prospectors introduced while defending core markets and products to maintain stable base of existing customers (Ghoshal, 2003). Olson, Slater and Hult (2005) stated that the inherent tension in the analyzer's entrepreneurial, administrative, and technological challenges suggests that there is no clear structural configuration for these firms. Golder and Tellis (1993) suggested that analyzers can be as
successful as prospectors if they focus on traditional products but also introducing new ones, and must closely monitor customer reactions and competitors' activities, successes, and failures.

Reactors are those organizations that are unable to respond effectively to environmental changes, vacillating from one strategy to another and thus making them less successful (Miles & Snow, 2003; Song, DiBenedetto, & Nason, 2007). According to Miles and Snow (1978), in Reactor organizations, technology, structure, and process are not properly linked leading management to adapt passive and un-focused behaviors with respect to environmental pressures. These organizations do perceive a change in the markets in which they operate, but are not able to respond to these changes effectively because they have no consistent or coherent strategy of its own (Inkpen & Choudhury, 1995). The Reactor strategy arises when one of the other three strategies is improperly pursued (Slater & Narver, 1993).

In short, Miles and Snow (1978) proposed that Prospectors, Defenders, or Analyzers have the chance to be equally successful in developing their activities and that; in any case, these three strategic types will perform better than reactors. Wright, Kroll, Chan, and Hamel (1991) and Conant et al., (1990) empirically supported this theory and argued that the three strategic types achieved similar performance, which is always better than reactors. In short, literature on this subject can be summarized in the statement made by Segev (1987): on average, the performance level of defenders, prospectors, and analyzers is similar; however, a higher performance or efficiency level requires a greater degree of alignment by organizations with their environment. Considering this point, it might be interesting to investigate the type of strategy adopted by Jordanian organizations.
Statement of the Problem

Miles and Snow's (1978) typology for determining how organizations should compete and achieve superior performance for many lines of businesses have been in existence for over 33 years. This typology has been validated for organizations across multiple industries and multiple countries. However, to the researcher's best knowledge, studies regarding this typology have not been validated in Jordan. Therefore, the primary purposes of this study was to determine the business strategies adopted by business organizations operating in Jordan and to determine if these strategies differ based on type of business.

Research Objectives

To achieve the primary purposes of this study, the following research objectives were formulated:

1. To determine business strategy types adopted by business organizations operating in Jordan.

2. To determine if significant differences exist in the adoption of business strategy based on line of business.

Importance of the Study

The study of business strategy types adopted by Jordanian organizations has many implications for a number of local and international stakeholders. On the local level, the outcomes of this study may provide human resource managers as well as managers in executive positions with a clear and detailed picture of the business strategy adopted by their organizations. This will inform them to evaluate the impact this strategy type may have on their competitive stand as well as their performance. Outcomes of the study may also inform international business organizations planning to invest in Jordan with advanced knowledge of how their competition operates and how successful they are. This information
may add strengths to the business strategy that should be adopted in Jordan to prove competitive and economically viable. Further, this study may fill in the gap in the literature with regard to research done on business strategy types done in other parts of the world. This research may benefit academics conducting comparative studies.

**Methodology**

**Study Participants**

Data for this study were collected from 206 managers in a sample of 35 business organizations operating in Jordan. Lines of business for these organizations were restaurants, hotels, retail stores, banking, mobile, and manufacturing. Both purposive sampling and convenience sampling were used. Approximately 23.8% (n = 49) of the managers were from the manufacturing organizations, 20.4% (n = 42) from retail organizations, 19.4% (n = 40) from restaurant organizations, 15.5% (n = 32) from banking organizations, 10.7% (n = 22) from hotel organizations, and about 10.2% (n = 21) from mobile organizations. A slight majority of the sample was male (55.8%). Respondents were predominantly 40 or more years old (65.6%) and held a bachelor’s degree or higher (85.4%). Over 65% of the respondents had 11 or more years of work experience in their respective organizations.

**Instrumentation**

The scale used in this study was originally developed by Miles and Snow (1978) and was used to determine business strategy types of the organizations under study. The scale contains 11 multiple-choice questions with four possible typology types. Each question is started with a statement such as: in contrast to our competitors, our organization has an image in the marketplace as a company which: (a) offers fewer, selective products/services, which are high in quality, (b) adopts new ideas and innovations, but only after careful analysis, (c) reacts to opportunities or threats in the marketplace to maintain or enhance our position, and (d) has a reputation for being innovative and creative. Based on the answers of participants, the organization is classified into one of four strategy types (prospectors, defenders, analyzers and reactors). The reliability coefficient for this scale ranged from 0.56 to 0.82 with a mean reliability of 0.69 (Conant et al., 1990; DeSarbo et al., 2005; Obert & Spencer, 1996). The standards for instrument reliability for Cronbach’s alpha by Robinson, Shaver, and Wrightsman (1991) were used to judge the quality of the scale: .80 – 1.00 –
exemplary reliability, .70 - .79 – extensive reliability, .60 -.69 – moderate reliability, and < .60 minimal reliability. Based on these standards, the scale exhibited moderate reliability and is deemed suitable for the present study.

Two translators bilingual in English and Arabic separately translated the English version of the scale into Arabic. These translators were instructed to retain the meaning of the items as close to the original as possible. The resulting items were then compared to assess the item-by-item similarity across the two translations. In the case of discrepancies or disagreements, the translators discussed and revised the items until consensus was reached. When the Arabic translation was finalized, the items were then back-translated (from Arabic to English) by two other people bilingual in English and Arabic following the same comparison and revision process. A panel of three experts evaluated the back-translated items to ensure that item meanings were equivalent in both the original English version and the back-translated version. If differences in meaning were found between items, those items were put through the forward and back-translation process again until the panel was satisfied there was substantial meaning equivalence. The Arabic version of the survey was pilot tested with a group of nine managers employed by business organization in Jordan to collect feedback about instrument content and usage. This feedback did not lead to any substantive changes.

Data Collection

The survey instrument was administered in Jordan to managers employed by 35 business organizations. Each organization was contacted either by phone or in person to gain permission to conduct the study. Once permission was granted, the researcher scheduled meetings with managers of the organization chosen to be among the sample, explained nature of the study, and assured confidentiality, voluntaries, and anonymity.
Finally, instruments were handed and collected during those meetings. Participants were instructed that the instrument may take approximately 10 minutes to complete.

Results

Results Pertain to the First Research Objective

The first research objective was about determining the business strategy types adopted by business organizations operating in Jordan. Descriptive statistics including frequencies and percentages were used to profile the business strategy types adopted by Jordanian organizations. Table (1) shows that the dominant strategy type that emerged in the entire population was Prospectors (45.6%, n = 94) followed by the Analyzers (38.8%, n = 80). The lowest chosen strategy type was the Defender at 15.59% (n = 32). The results also indicated that the Reactor strategy type is nonexistent in business organizations operating in Jordan.

Table (1): Distribution of Strategy Types Adopted by Jordanian Organizations

<table>
<thead>
<tr>
<th>Strategy Types</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prospectors</td>
<td>94</td>
<td>45.6</td>
</tr>
<tr>
<td>Analyzers</td>
<td>80</td>
<td>38.8</td>
</tr>
<tr>
<td>Defenders</td>
<td>32</td>
<td>15.5</td>
</tr>
<tr>
<td>Total</td>
<td>206</td>
<td>100</td>
</tr>
</tbody>
</table>

Results Pertain to the Second Research Objective

The second research objective was about determining if significant differences exist in the adoption of business strategy based on line of business. A chi-square test of independence was used to achieve this objective. The chi-square statistic was 139.265 with a significance level of .000. Thus, we conclude that there were significant differences between business strategy types based on differences in business line (see Tables 2 and 3). As shown in Table (2), the Prospectors strategy type is most prevalent in the restaurant and the manufacturing sectors. Next in order, the Analyzers strategy type is most prevalent in the restaurant and the manufacturing sectors. Lastly, the Defenders strategy type is most common in the hotel sector. A better representation of the results is presented in a bar chart (See Diagram 1).
Table (2): Distribution of Business Strategy Types by Business Line Cross Tabulation

<table>
<thead>
<tr>
<th>Strategy Types/Business</th>
<th>Rest</th>
<th>Hotel</th>
<th>Retail</th>
<th>Bank</th>
<th>Manf</th>
<th>Mobl</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prospects</td>
<td>N</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of total</td>
<td>17.0%</td>
<td>1.0%</td>
<td>6.8%</td>
<td>1.5%</td>
<td>12.6%</td>
<td>6.8%</td>
<td>45.6%</td>
</tr>
<tr>
<td>Analyzers</td>
<td>N</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of total</td>
<td>2.4%</td>
<td>1.0%</td>
<td>12.6%</td>
<td>11.7%</td>
<td>7.8%</td>
<td>3.4%</td>
<td>38.8%</td>
</tr>
<tr>
<td>Defenders</td>
<td>N</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of total</td>
<td>.0%</td>
<td>8.7%</td>
<td>1.0%</td>
<td>2.4%</td>
<td>3.4%</td>
<td>.0%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Total</td>
<td>N</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of total</td>
<td>19.4%</td>
<td>10.7%</td>
<td>20.4%</td>
<td>15.5%</td>
<td>23.8%</td>
<td>10.2%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table (3): Chi-Square Test

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>139.265</td>
<td>10</td>
<td>.000</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>124.268</td>
<td>10</td>
<td>.000</td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
<td>4.522</td>
<td>1</td>
<td>.033</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>206</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note. 3 cells (16.7%) have expected count less than 5. The minimum expected count is 3.26
Discussion

Miles and Snow's (1978) typology has been under extensive research for over 33 years. This typology proposed that organizations can be classified into one of four different strategy types including Prospectors, Defenders, Analyzers, and Reactors. Further, the typology was validated across different organizations and countries worldwide except in Middle Eastern countries such as Jordan. Therefore, the primary purposes of this study was to determine the business strategies adopted by business organizations operating in Jordan and to determine if these strategies differed based on type of business. A purposive and convenient sample of 206 managers employed by 35 organizations was chosen from the
following lines of businesses: restaurants, hotels, retail stores, banking, mobile, and manufacturing.

Results indicated that the dominant strategy type that emerged in the entire sample was Prospectors followed by the Analyzers. The lowest emerged strategy type was the Defender. The results also indicated that the Reactor strategy type is nonexistent in business organizations operating in Jordan. These results are interesting and encouraging because they mean that business organizations in Jordan under study are successful in their operations. These results are consistent with Miles and Snow's (1978) proposition that Prospectors, Defenders, or Analyzers have the chance to be equally successful in developing their activities and these three strategic types will have high performance.

Further, results showed that Prospectors strategy type is most prevalent in the restaurant and the manufacturing sectors. Next in order, the Analyzers strategy type is most common in the retail and banking sectors. Lastly, the Defenders strategy type is most common in the hotel sector. It is apparent that Prospector strategy type existed mostly in restaurant and the manufacturing organizations in Jordan. These organizations have pioneered in developing new products and services and to effectively respond to changing marketing conditions and opportunities because they are highly flexible, emphasize decentralized decision-making, and uses flat and organic organizational structure (Ruekert, Walker, & Roering 1985). Indeed, this is justified by the fact that over the past five years organizations from the restaurant and manufacturing sector in Jordan have pioneered a variety of products and services for the local and regional markets.

By the same token, the Analyzers strategy type was most common in the retail and banking sectors. Analyzer organizations in Jordan are rarely "first movers" but, instead, "watch their competitors closely for new ideas, and rapidly adopt those which appear to be most promising" (Miles & Snow, 1978; p. 29). The key to success for Analyzer
organizations is to defend core markets and products to maintain stable base of existing customers (Ghoshal, 2003). Golder and Tellis (1993) suggested that analyzers can be as successful as prospectors if they focus on traditional products but also introducing new ones, and must closely monitor customer reactions and competitors' activities, successes, and failures. For example, the banking sector is a devoted analyzer because they try to keep their existing customers by providing innovating products and services and they constantly search for new customers through promising products and services.

Lastly, the Defenders strategy type was most common in the hotel sector. These organizations prefer stable markets and tend to develop long-term relationships with its customers. They tend to provide their services at the lowest overall cost to achieve better performance and rarely pioneering the development of new markets (Conant, Mokwa, & Varadarajan, 1990). These types of organizations also use highly centralized, formalized, and unspecialized structures providing control over the deployment of available resources and minimizing errors in executing required activities (Olson, Slater, & Hult, 2005). We tend to obviously notice these characteristics in the Hotel industry in Jordan because they tend to compete on efficiency and service.

Recommendations

Based on the above discussion, a number of practical and theoretical recommendations are provided for the field of study. First, executive-level managers in Jordanian organizations should explore in details their business strategy type and how it may have impacted their business operations and performance. Initiatives such as results-oriented performance appraisal and profit sharing may be provided for organizations that emphasize Prospector strategy while extensive employee training and job security may be emphasized in Defender type organizations. Second, Ministry of Labor should require all types of organizations in Jordan to provide yearly report on their business strategy type for
publication purposes and to determine what works for Jordanian economy. Third, more studies should be undertaken in Jordan in three main areas: (a) determining the strategy type for all public and private organizations operating in Jordan, (b) exploring the relationship between strategy type and organizational performance; and (c) investigating the influence of country, culture, industry, and economy on the formation of business strategy types.
References


