

# NARROW VS BROAD STRATEGIC ATTENTION: A COMPARISON OF PERFORMANCE LEVEL AND VARIABILITY EFFECTS IN SMES FROM AN EMERGING MARKET

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# Research Motivation

In selecting their business strategies, small and medium-sized enterprises (SMEs) **face a choice** between **strategic focus and multitasking**.

1. Prior research on **firm's strategic orientation (SO)**, suggests that **firms benefit** from concurrent development of new products, monitoring of changes in consumer demand and competitor moves, and **learning from these experiences** (Schweiger et al., 2019).
  - Framed within the tenets of the **resource-based view (RBV)** (Barney, 1991), each orientation **is a unique, inimitable, value-creating resource**
  - Strategic orientations **complement each other**, meaning that they (a) make each other **complete**, and (b) are **synergetic** and thus, **mutually reinforcing** (Hakala, 2011)
2. **Attention-based view (ABV)** suggests that there is **a critical limit** on the **information-processing capacity** of the organization (Ocasio, Laamanen, & Vaara, 2018) and top managers focus their attention on **certain issues and answers** (Ocasio, 1997)
  - Besides common to all SMEs liability of smallness (Aldrich & Auster, 1986), firms in the **emerging markets** are likely to face **additional resource constraints** due to weak capital markets and regulatory infrastructures (Marquis & Raynard, 2015)
3. To assess firms' varying degrees of strategic attention to issues like entrepreneurship, marketing, and learning across SMEs, we capture the **breadth of firm's strategic scope** – from narrow (focused on one or few SOs) to broad (embracing multiple) – and assess its performance effects

# Research Questions

- How does **broad (or narrow) strategic attention** affect SME **performance**?
- And how does **it** affect firm **performance variability**?

# THEORETICAL BACKGROUND AND RESEARCH HYPOTHESES (1)

## Resource-Based View and Synergies from Multiple Orientations

From the **resource-based perspective** (Barney, 1991), strategic orientations represent resources and capabilities that are valuable, rare, and difficult to imitate or substitute. In its extended version, embraces the resource orchestration framework (Sirmon et al., 2011), and draws attention to the role of managers behind the processes

Each orientation represents a **unique strategic dimension**:

- **EO** directs a firm toward the pursuit of “new entry initiatives, innovations, and value creation opportunities, even when the outcomes of such experiments are unknown” (Wales, Covin, & Monsen 2020: 645; Covin & Slevin, 2002; Nordqvist & Melin, 2010).
- **MO** focuses a firm on superior understanding of customers’ current and future needs and rivals’ offerings (Slater and Narver, 2000; Ellis, 2006).
- Finally, **LO** enables adaptive learning in the firm (Baker and Sinkula, 1999) through changes in its theory in use (Sinkula et al., 1997), which describes organization’s implicit or explicit understanding of how things are done (Argyris & Schoen, 1978).

Notably, the fact that SOs are mutually reinforcing has been recognized in prior research and scholars have assessed the levels of complementarity between individual orientations (Gnizy et al., 2014; Grinstein, 2008; Ruokonen & Saarenketo, 2009; Schweiger et al., 2019).

# THEORETICAL BACKGROUND AND RESEARCH HYPOTHESES (2)

## Resource-Based View and Synergies from Multiple Orientations

Simultaneously focusing on **two SOs increases the chances for superior performance** and, at the same time, **boosts success chances** across a wide range of firm competitive strategies: both for innovators (EO & MO or EO & LO) and imitators (MO & LO). This is especially true for the emerging market SMEs due to their limited managerial knowledge in conjunction with less developed institutions (McCarthy et al., 2018).

**H1a:** *Concurrent strategic attention – as a combination of two orientations with both being high – positively affects SME performance in emerging market (higher overall performance).*

**H1b:** *Concurrent strategic attention – as a combination of two orientations with both being high – negatively affects SME performance variability in emerging market (more consistent performance).*

# THEORETICAL BACKGROUND AND RESEARCH HYPOTHESES (3)

## Attention-Based View and Constraints of Multiple Orientations

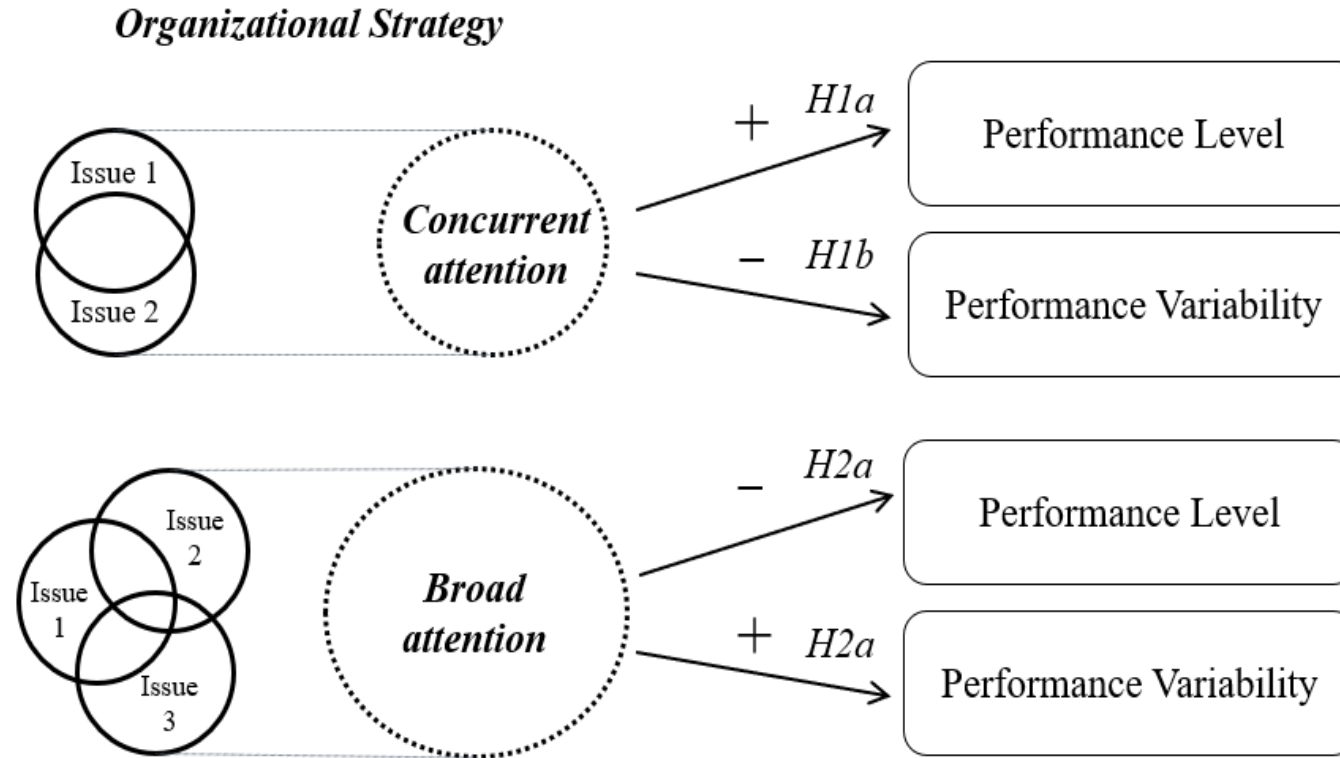
**ABV** emphasizes inherent **scarcity of managerial attention** and need to focus and eliminate redundancies. Moreover, this theoretical framework **challenges the fundamental VRIN assumption** by opening up a possibility that orientations may in certain contexts replace one another.

- Balancing three orientations may deplete managerial attention
  - Due to higher levels of centralization in emerging market SMEs, fewer managers may be involved in making strategic decisions
  - SO may be substitutes
- Presence of institutional voids may limit the scope of resources available to an emerging-market firm (e.g., Wales et al., 2018)
- Moreover, comparisons of developed and emerging market managers' strategic orientations systematically reveal differences (Pearce, 1991; Markoczy, 1995) and link these to the cultural heritage, national policies, and institutions that shape executives' cognition (Hitt et al., 1998).
- For firms in emerging markets balancing three SOs may be associated with excessive resource spending (wasting), because they perceive information from the environment through different channels and mechanisms

**H2a:** *Broad strategic attention – as a combination of three orientations with all three being high – negatively affects SME performance in emerging market.*

**H2b:** *Broad strategic attention – as a combination of three orientations with all three being high – positively affects SME performance variability in emerging market.*

# Theoretical Framework



**Figure 1.** Conceptual research model

# Method

**Data:** Survey questionnaires and financial data of **512 Russian SMEs** collected in 2015 and early 2016

- as a part of large data collection project in Russia that studies small and medium firms' strategic characteristics (Beliaeva et al., 2020; Laskovaia et al., 2019; Osiyevskyy et al., 2020; Shirokova et al., 2019)

**DV:**

- **Firm performance** 2016 return on assets figure (ROA<sub>2016</sub>);
- **Firm performance variability** is the level of residual variance from the firm performance regression (the deviation of the actual values of the dependent variable from the conditional mean for each observation (Osiyevskyy et al., 2022; Sørensen, 2002))

**IV (three Strategic orientations):**

- **Entrepreneurial orientation (EO)** conventional 9-item EO scale of Covin and Slevin (1989) and Lumpkin and Dess (2001)
- **Market orientation (MO)** 15-item instrument from Narver and Slater (1990)
- **Learning orientation (LO)** 11-item scale from Sinkula et al. (1997)

- **Tool for analysis:** Harvey's (1976) multiplicative heteroscedasticity regression model; level (mean) and variability regression equations were assessed simultaneously using maximum likelihood (ML) approach
- **CV:**
  - **Firm-level** - age, size, international exposure, the level of formalization, centralization, dominating behavioral logic of causation and effectuation, ROA<sub>2015</sub>
  - **Environmental-level** - firm-level crisis impact, financial resource availability, social capital availability, firm's human capital, environmental dynamism, environmental hostility, firm's industry and region



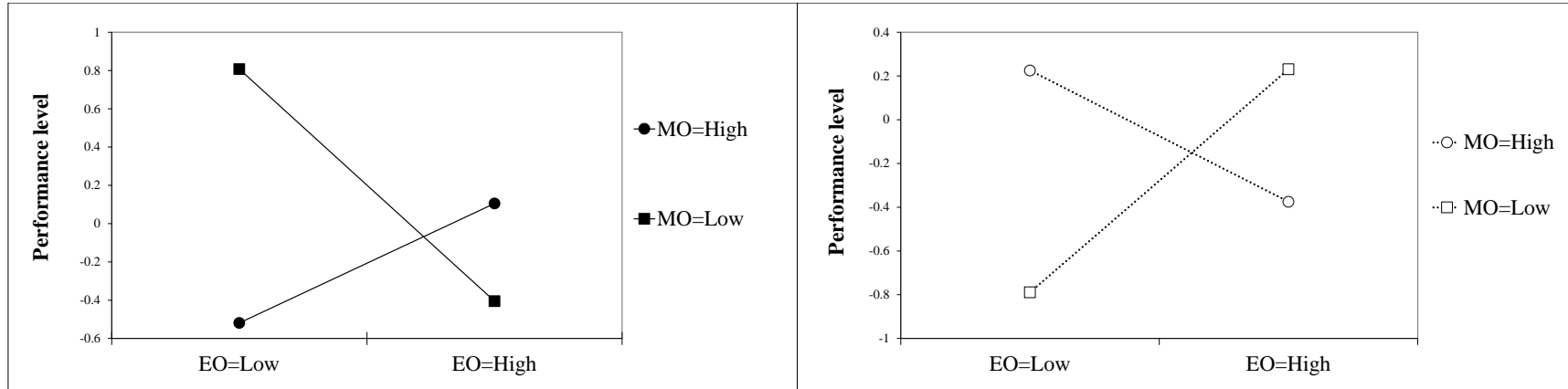
# Results

	Model 2: Main effects		Model 3: Full model	
	Mean regression ( $\beta_j$ )	Variance regression ( $\gamma_j$ )	Mean regression ( $\beta_j$ )	Variance regression ( $\gamma_j$ )
Entrepreneurial Orientation (EO)	0.006* (0.003)	0.196** (0.063)	-0.331* (0.142)	15.339*** (0.917)
Market Orientation (MO)	-0.010 (0.008)	-0.728*** (0.094)	-0.353*** (0.054)	-0.668 (0.604)
Learning Orientation (LO)	0.006 (0.005)	-0.927*** (0.098)	-0.409*** (0.080)	3.695*** (0.608)
EO x MO			0.067** (0.026)	-2.085*** (0.185)
EO x LO			0.078** (0.028)	-3.318*** (0.191)
MO x LO			0.081*** (0.015)	-0.263* (0.130)
EO x MO x LO			-0.016** (0.005)	0.467*** (0.036)
Intercept	-0.079 (0.053)	8.265*** (0.826)	1.690*** (0.288)	-12.060*** (2.764)
Model $\chi^2$ (df)	4051.121 (54)		4195.252 (62)	
Pseudo R2	0.787		0.815	
N	512			

H1a supported  
 H1b supported  
 H2a supported  
 H2b supported

# Results

Figure 2. Detected Three-Way Interaction Effect between EO, MO & LO: Impact on Performance Level

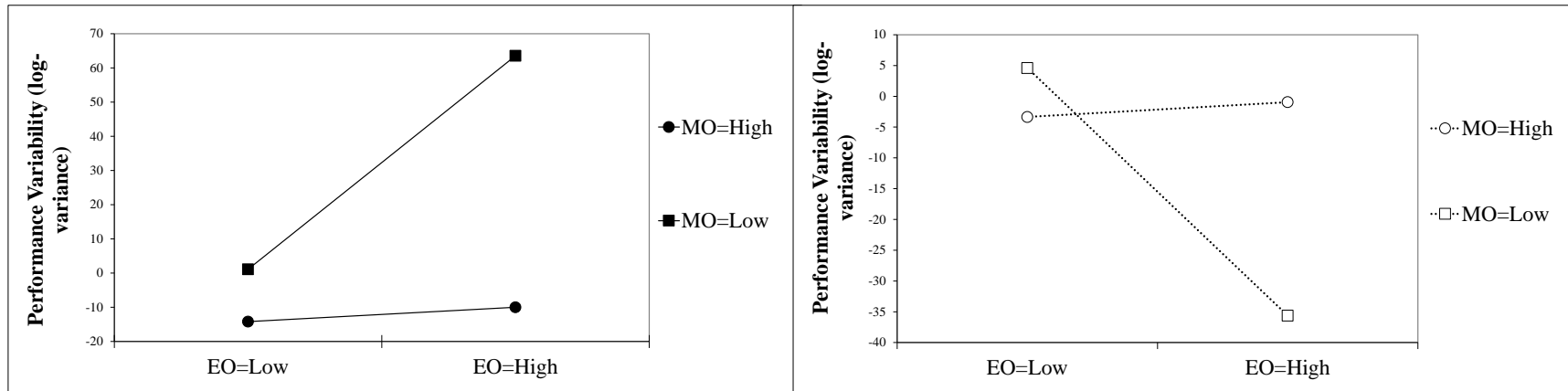


•LO=Low

(b) LO=High

Note: LO, MO, EO: "Low" value represents the scale's minimum (1), while "High" represents the scale maximum (7)

Figure 3. Detected Three-Way Interaction Effect between EO, MO & LO: Impact on Performance Variability



•LO=Low

(b) LO=High

Note: LO, MO, EO: "Low" value represents the scale's minimum (1), while "High" represents the scale maximum (7)

# Discussion and Implications (1)

- Our findings highlight the importance of **strategic focus** in SMEs in the emerging **market context**. In line with our resource orchestration argument, combinations of two SOs have positive effects not only on mean performance (conditional mean) but also on performance variability:
  - combination of high EO and high MO, high EO and high LO as well as high MO and high LO are complimentary
  - concurrent attention on two SOs increases performance reliability, suggesting that such focused strategy has a stabilizing effect on firm performance
- We find that maintaining the **combination of three high SOs** – i.e., a broad attention scope – **negatively affects** SMEs' performance, at least in the short term
  - SOs on the high level are indeed complementary, but occur at the cost of unpredictable outcomes, which makes it a rather risky strategy which increases the chances of failure or significant losses

# Discussion and Implications (2)

- Our study details the effects of **three organizational attention strategies** – focused, concurrent focus, and broad – on SME performance. In particular, we differentiate between:
  - EO- & MO-high firms as **agile makers** that focus on innovation while staying alert to market and competitive trends.
  - MO- & LO-high firms as **inspired followers** that save on innovation by adopting existing technologies and learning from market leaders.
  - EO- and LO-high firms as **informed innovators** that disregard market trends and plough through with their vision.
  - EO-, MO- and LO-high firms as **multitaskers** that strive to align three orientations and simultaneously manage innovation, information, and integration.

# Discussion and Implications (3)

- Our research formulates important implications for scholars and practitioners working in small and medium-sized businesses:
  - We highlight the **importance of scrupulously selecting strategic anchors**, when choosing issues to focus organizational attention. While studies suggest that three strategic orientations **form additional value** (e.g., Schweiger et al., 2019), our findings suggest that, in some cases and contexts, **this may be not the optimal choice**
  - Our study frames **the scope of attention as balancing of strategic issues** in a firm's pursuit of financial success and its finding advances the theoretical knowledge about strategic decision-making in emerging market firms
  - Combining **two SOs at high levels (concurrent attention) boosts and stabilizes** performance and could thus be utilized as an opportunity to outperform others.
  - On the other hand, for firms **with limited resources**, maintaining three high SOs (broad attention) is **not an optimal choice**, as at least in the short term

# Limitations and Future Research

## Limitations

## Future research directions

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Analyses on the aggregated firm level (do not capture internal decision processes)



Scrutinize the role of the top management team as organizational upper echelons as a group of people most critical to performance of any firm

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Measurement of firm's strategic orientation captures realized organizational strategy and attention, leaving the aspect of deliberateness and emergence and external triggers of selective (or switching) attention outside of consideration



*Causal external conditions* shaping organizational scope of attention remain a valuable objective for future research (environmental disruptions, shifts in organizational attention, responses to crisis)

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Proposed typology calls for validation on other economic (e.g., developed countries), geographical, and cultural settings

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**Thank you for your attention!**