

---

## SME PERFORMANCE MEASUREMENT STRATEGY (LITERATURE STUDY REVIEW AND FUTURE RESEARCH DIRECTION)

**Susilawati**

Faculty of Economic and Business, Universitas 17 Agustus 1945 Surabaya, Indonesia  
habiesusilawati@gmail.com

Received: June, 2023; Accepted: June, 2023; Published: August, 2023

---

### **Abstract**

*Performance measurement is the process by which the organization sets the parameters of the results to be achieved by programs, investments, and acquisitions made. The performance measurement process always requires realistic evidence to determine the level of progress of an organization in achieving its goals. This study aims to explain the measurement of strategy orientation in more depth. A qualitative approach was used in this research, by applying library research methods. The data used is in the form of secondary data, namely scientific articles with the source of the data used is electronic data sourced from Emerald Insight, Scencedirect, Google Scholar to SAGE. The results obtained are measurement of strategy orientation that is suitable for SMEs, namely Customer, Competitor, Low cost orientation, Entrepreneurship and Innovation. But in general, strategy orientation can be grouped into three main elements, namely: first market orientation, which consists of knowledge, competencies and skills of employees to build good relationships with consumers, second technology orientation which includes understanding employees and managers in the use of new technology, and the last is Orientation to reduce the cost includes the tendency to reduce costs in the form of cost leadership strategies so as to increase market share. These three elements can interact dynamically and continuously so that it will produce a competitive advantage.*

**Keywords:** *Literature Study, Strategy Orientation, SME Performance*

---

### **INTRODUCTION**

Small and Medium Enterprises (SMEs) have an important role in a country's economy. In an era of globalization and increasing competition, SMEs need to adopt effective performance measurement strategies to ensure the sustainability and success of their businesses. Performance measurement is a systematic evaluation process to measure the extent to which organizational goals and objectives have been achieved (Gomes & Wojahn, 2017).

The government is currently promoting Small and Medium Enterprises (SMEs) activities in both modern and traditional sectors. This is because SMEs have a considerable role for Indonesia's economic growth because this sector is not affected by the global crisis that hit the world, it is also able to absorb domestic labor so that SMEs are able to increase people's income. Therefore, a strategy is very important for SMEs to run their business. Because a strategy is the key to success in achieving efficiency in the face of rapid changes in information technology and increasingly fierce competition.

According to Vanninen et al., (2022), companies (SMEs) can use strategy as a key to solving problems, creating new capabilities, and improving business performance to business continuity. To get better performance, companies need to show internal strategic consistency and according to environmental needs (Jiang et al., 2018)

A literature study on SME performance measurement strategies has been conducted to gain better insight into the effective methods of measuring SME performance. In this literature review, we will explore several studies related to SME performance measurement strategies that have been carried out previously. This is expected to provide a more comprehensive understanding of the best practices that SMEs can apply to measure their performance.

Some research related to SME strategies used in running a business is strategy orientation as carried out by Akdogan (2012), Steppenwolf (2013), Maharani (2015), van Rijnsoever et al.,(2017)and Valdez-Juárez et al., (2022).

This is because the strategic orientation of SMEs has significant implications for managers in entering sectors dominated by large companies and SMEs that adopt an appropriate strategic orientation can provide efficiency for SMEs in certain industries, (Chatzistamoulou & Tyllianakis, 2022) quote (Blumentritt & Danis, 2006).

Miles and Snow (1978) He first conducted research on the development of strategic orientation which proposed a strategic typology that classified business units into four different types: Prospectors, Analyzers, Defenders, and Reactors. Furthermore, the business strategy developed by Porter (1980) and management strategies consisting of low cost, differentiation, or focus typologies (Parker & Helms, 1992; Schul et al., 1995). Therefore, the ability to form SME strategies must be in accordance with their strategic orientation so that strategic orientation based on organizational characteristics can produce better SME performance. This study generally aims to explain the measurement of strategy oreantation in more depth.

## **METHOD**

In this literature study review, the author conducted a literature search using academic databases and related journals. The inclusion criteria used are research that

focuses on SME performance measurement strategies and has been published within a certain time frame. After making a selection, the author studies the articles thoroughly and identifies the main findings relevant to the author's topic.

This research uses a qualitative approach by applying library research methods. The data used in this study is in the form of secondary data, namely books, magazines and written documents. In addition, the data sources used are electronic data sourced from Google Scholar, Emerald Insight, Sciencedirect, SAGE.

## **RESULTS AND DISCUSSION**

Literature study research that has been conducted by researchers has obtained findings about the development of strategy orientation when viewed from its definition and measurement, it can be described as follows:

### **Definition of Strategy Orientation**

Strategy orientation refers to the approach taken by organizations in directing their resources and efforts towards achieving long-term goals. It involves identifying the vision, mission, and core values of the organization, as well as determining the strategic direction to be taken to achieve those goals.

The definition of strategy orientation includes several important elements:

1. **Vision:** Vision is a long-term picture of the ideal state that the organization wants to achieve in the future. Vision provides an inspiring outlook and guides organizations in developing their strategies.
2. **Mission:** The mission of the organization describes its core purpose and the reason for its existence. It describes the role and contribution expected by the organization to customers, stakeholders, and society as a whole.
3. **Core Values:** Core values are the principles and beliefs that shape an organization's culture and guide the behavior of organizational members. These values reflect beliefs about the correct way to operate and interact with stakeholders.
4. **Strategic Direction:** Strategic direction is the guide that determines important decisions in achieving organizational goals. It involves identifying strategic priorities, long-term goals, and action plans to achieve those goals.

A good strategy orientation requires a deep understanding of the organization's external environment, internal capabilities, and stakeholder needs and expectations. It

involves a comprehensive analysis process to identify opportunities and challenges, as well as the development of relevant and sustainable strategies.

In practice, organizations can have different types of strategy orientations, such as growth orientation, innovation orientation, quality orientation, or cost orientation. The right strategic orientation is chosen based on the analysis of the situation and the long-term goals of the organization.

It is important for organizations to regularly evaluate and adjust the orientation of their strategies according to changing environments and market needs. Flexibility and adaptability in changing strategy orientation is key to the long-term success of the organization. In table 1 the following will provide a description of some definitions of strategy orientation as follows:

**Table 1 Definitions of Strategy Orientation**

Source	Definition of Strategy Orientation
Venkatraman (1989)	<i>The General pattern of various means employed to achieve the business goal, with a particular emphasis on the business-unit level of the organizational hierarchy</i>
Miller (1992)	<i>Strategy orientation is the view or philosophy that underlies strategic decision making and determines the resources to be allocated by the organization. Miller identifies three strategic orientations: "Rational," "Political," and "Processual."</i>
Hamel & Prahalad (1994)	<i>Strategy orientation is the core view or conception that becomes the basis for organizations in selecting and developing long-term competitive advantages. They emphasize the importance of focusing on core competencies and innovation as an effective strategy orientation.</i>
Gatignon & Xuereb (1997)	<i>Strategic orientation is the specific approach a firm implements to create the proper behaviors for superior and continuous performance</i>
Zhou et al., (2005)	<i>Strategic orientation is the company's strategic direction in creating the proper behavior so as to achieve superior performance; both market and innovation are the most strategic orientations for the</i>

	<i>company to achieve superior performance over a long term</i>
Slater et al., (2006)	<i>strategic orientation is the broad strategy outline, which will be completed with the details of strategy content and implementation.</i>
Liu & Revell (2009)	<i>The strategic orientation as a concept widely used in research on the management of strategy, entrepreneurship and marketing</i>
Vaccaro et al., (2012)	<i>Strategy orientation includes the selection and implementation of complementary and mutually reinforcing strategic portfolios in order to achieve long-term competitive advantage</i>
Helfat & Peteraf (2015)	<i>Strategy orientation involves focusing on developing and using unique resources that are scarce, valuable, irreplicable, and irreplaceable to achieve competitive advantage</i>
Ritala et al.,(2021)	<i>Digital Strategy Orientation is a strategic approach that focuses on utilizing digital technology and digital transformation to achieve business goals and create competitive advantage. It involves using digital technology to transform the way organizations operate, interact with customers, and create additional value</i>

Sourced from several developments in the definition of strategy orientation, the author concludes that strategy orientation is the direction of the company's strategy to achieve long-term goals through the creation of behavior oriented towards improving company performance.

### **Strategy Orientation Measurement**

Strategy orientation measurement is the process of measuring the extent to which an organization adopts and implements a particular strategic orientation. This is done in order to understand the extent to which the organization has directed its strategic efforts, gain insight into the strengths and weaknesses of the existing strategic orientation, as well as identify areas of improvement that may be needed. These measurements assist organizations in evaluating strategic performance and directing future strategy planning and implementation.

There are various methods and approaches that can be used to measure strategy orientation. Some examples of commonly used approaches include:

1. **Surveys and Questionnaires:** This method involves delivering surveys or questionnaires to members of the organization to derive their responses related to the orientation of the adopted strategy. Questions in surveys usually include key indicators relevant to the orientation of the strategy being studied.
2. **Document Analysis:** Involves analyzing documents such as strategic plans, financial statements, annual reports, and organizational policies to understand and evaluate the orientation of documented strategies.
3. **Group Interviews and Discussions:** This method involves direct interviews with key members of the organization, including senior management, to gain deeper insight into the orientation of the implemented strategy and their perception of strategic performance.
4. **Key Performance Indicators (KPIs):** Use KPIs relevant to a particular strategic orientation to measure and monitor an organization's performance in achieving strategic objectives.

Basically, the measurement of strategy orientation must be based on a framework that is clear and relevant to the context of the organization and the strategic objectives to be achieved. The framework should consider key indicators relevant to the orientation of the measured strategy and provide an objective and measurable method for collecting data. Thus, organizations can gain valuable information to evaluate their strategic orientation and inform future strategic decision making. In Table 2 the following will provide a description of the development of orientation measurement strategies used by several researchers, namely as follows:

**Table 2 Strategy Orientation Measurement**

<b>Source</b>	<b>Strategy Orientation Dimension</b>
Miles et al.,(1978)	<i>Prospectors, Defenders, Analyzers, Reactors</i>
Venkatraman (1989)	<i>Aggressiveness, Analysis, Defensiveness, Futurity, Proactiveness and Risk</i>
(Slater et al., 2006)	<i>Customer, Competitive, and Technological orientations</i>
Gatignon & Xuereb (1997)	<i>Customer, Competitor, Technological</i>
Voss & Voss (2000)	<i>Customer, Competitor and Technological products</i>
Antonio et al.,(2005)	<i>Technology, Area of innovation, Implementation flexibility, Human resource system and Training investment</i>



Racelis (2006)	<i>Marketing focus, Main competence, Investment strategy and Innovation</i>
Grinstein (2008)	<i>Namely market, Learning, Entrepreneurship and Employee orientations</i>
Spades et al., (2009)	<i>Orientation of market, Entrepreneurship, Customer, Cost, Innovation, Competitor, Learning, Employee and Interaction</i>
(Altindag et al., 2011; Usta, 2011)	<i>Orientation of customer, Entrepreneurship, Learner and Innovation</i>
Lau & Bruton (2011)	<i>Orientation of team, Managerial competence, Social networking, Local institutional support, Low-cost orientation and Product innovation</i>

The measurement of orientation strategies based on the results of literature studies conducted by previous researchers began with Miles and Snow (1978) known as *the strategic trilogy* by classifying in four dimensions, namely: *Defenders*, *Prospectors*, *Analyzers* and *Reactors*.

Miles and Snow (1978) positing *Defenders* It has a narrow product market domain, does little new product development, avoids unnecessary risks, and focuses on the efficiency of existing operations. *Prospectors* is an organization focused on product and market innovation; maximizing new opportunities and pioneering innovation to meet market needs (Laforet, 2008).

Analyzers are a combination of prospector and defender types; Use efficiency in stable product market segments and innovate in dynamic product markets (Frambach et al., 2016). Reactors are unstable strategies because they are unable to respond effectively to the environment and are only able to adapt when there is pressure on the environment that forces changes to be made (Evans & Green, 2000).

Based on the literature study conducted, the author formulates that the measurement of strategy orientation that is suitable for SMEs is customer, competitor, low-cost orientation, Entrepreneurship and innovation.

Customer, to create superior value for consumers continuously, the company must understand well (Hammer Landroquez et al., 2011; Ngo & O'Cass, 2009) defines customer orientation as "the set of beliefs that first place the customer's interest".

Competitor orientation can be defined as the ability and willingness to identify, analyze, and respond back to competitors' actions (Homburg et al., 2007; Shih, 2018; Udoyi, 2014). This includes the identification and construction of competitive advantages in terms of certain qualities or functions and allows the company to position its new products well, as well as successful innovative companies choosing certain types of new products as a characteristic function of competitive markets (Lichtenthaler, 2018; W. Liu & Atuahene-Gima, 2018). Consequently, a competitor orientation for

commercial performance and innovation is required.

Low-cost orientation: Cost leadership is directed towards gaining a position of superiority in the market over competitors through low costs that can result in the effect of lower product prices. To achieve these goals, companies can act by reducing production costs; increase the utilization of company capacity, control the supply of materials or product distribution (Dey et al., 2011).

## **CONCLUSION**

Based on the results of a literature review of various article references, it can be concluded that strategic orientation is the direction of the company's strategy in achieving long-term goals through the creation of behavior oriented towards improving SME performance. In terms of measurement, there are many strategies orientation measurement concepts developed by researchers today. But in general, strategy orientation can be grouped into three parts, namely: market orientation, which includes the knowledge, competencies and skills of employees to build good relationships with consumers.

Technology orientation that includes understanding employees and managers in the use of new and innovative technologies that can increase the company's competitive advantage, Orientation to reduce the cost which includes a tendency to reduce costs in the form of cost leadership strategies so as to increase market share. These three elements will interact dynamically, as well as continuously and widely so that it will produce a competitive advantage for the company.

## **FUTURE RESEARCH DIRECTIONS**

Further research is expected to examine more deeply the factors that influence entrepreneurial orientation and its impact on SME performance. This is because strategic orientation is a fundamental thing that every SME must have so that it can maintain the sustainability of the business being run.

## **REFERENCE**

- Akdoğan, A. A., & Cingöz, A. (2012). An Empirical Study on Determining the Attitudes of Small and Medium Sized Businesses (SMEs) Related to Coopetition. *Procedia - Social and Behavioral Sciences*, 58, 252–258.  
<https://doi.org/https://doi.org/10.1016/j.sbspro.2012.09.999>
- Altındag, E., Zehir, C., & Acar, A. Z. (2011). Strategic orientations and their effects on firm performance in turkish family owned firms. *Eurasian Business Review*, 1, 18–36.
- Antonio, N. F., Emilio, R., & Jose, D. (2005). Implication of perceived competitive



- advantage, adaptation of marketing tactics and export commitment on export performance. *Journal of World Business*, 45, 287–300.
- Blumentritt, T., & Danis, W. M. (2006). Business strategy types and innovative practices. *Journal of Managerial Issues*, 274–291.
- Bozkurt, Ö. Ç., & Kalkan, A. (2013). Strategic Focus in Turkish SMEs: Emergent or Deliberate Strategies? *Procedia - Social and Behavioral Sciences*, 99, 929–937. <https://doi.org/https://doi.org/10.1016/j.sbspro.2013.10.566>
- Chatzistamoulou, N., & Tyllianakis, E. (2022). Commitment of European SMEs to resource efficiency actions to achieve sustainability transition. A feasible reality or an elusive goal? *Journal of Environmental Management*, 321, 115937. <https://doi.org/https://doi.org/10.1016/j.jenvman.2022.115937>
- Dey, A., LaGuardia, P., & Srinivasan, M. (2011). Building sustainability in logistics operations: a research agenda. *Management Research Review*, 34(11), 1237–1259.
- Evans, J. D., & Green, C. L. (2000). Marketing strategy, constituent influence, and resource allocation: An application of the Miles and Snow typology to closely held firms in Chapter 11 Bankruptcy. *Journal of Business Research*, 50(2), 225–231.
- Frambach, R. T., Fiss, P. C., & Ingenbleek, P. T. M. (2016). How important is customer orientation for firm performance? A fuzzy set analysis of orientations, strategies, and environments. *Journal of Business Research*, 69(4), 1428–1436.
- Gatignon, H., & Xuereb, J.-M. (1997). Strategic orientation of the firm and new product performance. *Journal of Marketing Research*, 34(1), 77–90.
- Gomes, G., & Wojahn, R. M. (2017). Organizational learning capability, innovation and performance: study in small and medium-sized enterprises (SMES). *Revista de Administração*, 52(2), 163–175. <https://doi.org/https://doi.org/10.1016/j.rausp.2016.12.003>
- Grawe, S. J., Chen, H., & Daugherty, P. J. (2009). The relationship between strategic orientation, service innovation, and performance. *International Journal of Physical Distribution & Logistics Management*.
- Grinstein, A. (2008). The relationships between market orientation and alternative strategic orientations: A meta-analysis. *European Journal of Marketing*, 42(1/2), 115–134.
- Hamel, G., & Prahalad, C. K. (1994). Competing for the future. *Harvard Business Review*, 72(4), 122–128.
- Helfat, C. E., & Peteraf, M. A. (2015). Managerial cognitive capabilities and the microfoundations of dynamic capabilities. *Strategic Management Journal*, 36(6), 831–850.
- Homburg, C., Grozdanovic, M., & Klarmann, M. (2007). Responsiveness to customers and competitors: the role of affective and cognitive organizational systems. *Journal of Marketing*, 71(3), 18–38.
- Jiang, X., Fan, H., Zhang, Y., & Yuan, Z. (2018). Using interpretive structural modeling and fuzzy analytic network process to identify and allocate risks in Arctic shipping strategic alliance. *Polar Science*, 17, 83–93. <https://doi.org/https://doi.org/10.1016/j.polar.2018.05.009>
- Laforet, S. (2008). Size, strategic, and market orientation affects on innovation. *Journal of Business Research*, 61(7), 753–764.

- Lau, C. M., & Bruton, G. D. (2011). Strategic orientations and strategies of high technology ventures in two transition economies. *Journal of World Business*, 46(3), 371–380.
- Lichtenthaler, U. (2018). The world's most innovative companies: a meta-ranking. *Journal of Strategy and Management*, 11(4), 497–511.
- Liu, W., & Atuahene-Gima, K. (2018). Enhancing product innovation performance in a dysfunctional competitive environment: The roles of competitive strategies and market-based assets. *Industrial Marketing Management*, 73, 7–20.
- Liu, X., & Revell, B. J. (2009). Competitiveness changes in China's quality vegetable exports post-WTO. *Journal of Chinese Economic and Foreign Trade Studies*.
- Maharani, W., & Gozali, A. A. (2015). Collaborative Social Network Analysis and Content-based Approach to Improve the Marketing Strategy of SMEs in Indonesia. *Procedia Computer Science*, 59, 373–381.  
<https://doi.org/https://doi.org/10.1016/j.procs.2015.07.540>
- Martelo Landroquez, S., Barroso Castro, C., & Cepeda-Carrión, G. (2011). Creating dynamic capabilities to increase customer value. *Management Decision*, 49(7), 1141–1159.
- Miles, R. E., Snow, C. C., Meyer, A. D., & Coleman Jr, H. J. (1978). Organizational strategy, structure, and process. *Academy of Management Review*, 3(3), 546–562.
- Miller, D. (1992). The generic strategy trap. *Journal of Business Strategy*, 13(1), 37–41.
- Ngo, L. V., & O'Cass, A. (2009). Creating value offerings via operant resource-based capabilities. *Industrial Marketing Management*, 38(1), 45–59.
- Parker, B., & Helms, M. M. (1992). Generic strategies and firm performance in a declining industry. *MIR: Management International Review*, 23–39.
- Porter, M. E. (1980). Industry structure and competitive strategy: Keys to profitability. *Financial Analysts Journal*, 36(4), 30–41.
- Racelis, A. D. (2006). Relationship between strategic orientation and organizational performance: An exploratory study of Philippine companies. *Philippine Management Review*, 13.
- Ritala, P., Baiyere, A., Hughes, M., & Kraus, S. (2021). Digital strategy implementation: The role of individual entrepreneurial orientation and relational capital. *Technological Forecasting and Social Change*, 171, 120961.  
<https://doi.org/https://doi.org/10.1016/j.techfore.2021.120961>
- Schul, P. L., Davis, P. S., & Hartline, M. D. (1995). Strategic adaptation to extended rivalry: effects on organizational performance. *Journal of Business Research*, 33(2), 129–142.
- Shih, T.-Y. (2018). Determinants of enterprises radical innovation and performance: Insights into strategic orientation of cultural and creative enterprises. *Sustainability*, 10(6), 1871.
- Slater, S. F., Olson, E. M., & Hult, G. T. M. (2006). The moderating influence of strategic orientation on the strategy formation capability–performance relationship. *Strategic Management Journal*, 27(12), 1221–1231.
- Udoyi, C. O. (2014). *Relationship between market orientation and performance of commercial banks in Kenya*. University of Nairobi.
- Usta, R. (2011). Strategic orientations enriching the effect of market orientation on

- company performance: Literature-based holistic model proposal. *Anadolu University Journal of Social Sciences*, 11(3), 65–84.
- Vaccaro, I. G., Jansen, J. J. P., Van Den Bosch, F. A. J., & Volberda, H. W. (2012). Management innovation and leadership: The moderating role of organizational size. *Journal of Management Studies*, 49(1), 28–51.
- Valdez-Juárez, L. E., Castillo-Vergara, M., & Ramos-Escobar, E. A. (2022). Innovative Business Strategies in the Face of COVID-19: An Approach to Open Innovation of SMEs in the Sonora Region of Mexico. *Journal of Open Innovation: Technology, Market, and Complexity*, 8(1), 47.  
<https://doi.org/https://doi.org/10.3390/joitmc8010047>
- van Rijnsoever, F. J., Kempkes, S. N., & Chappin, M. M. H. (2017). Seduced into collaboration: A resource-based choice experiment to explain make, buy or ally strategies of SMEs. *Technological Forecasting and Social Change*, 120, 284–297.  
<https://doi.org/https://doi.org/10.1016/j.techfore.2017.03.015>
- Vanninen, H., Keränen, J., & Kuivalainen, O. (2022). Becoming a small multinational enterprise: Four multinationalization strategies for SMEs. *International Business Review*, 31(1), 101917.  
<https://doi.org/https://doi.org/10.1016/j.ibusrev.2021.101917>
- Venkatraman, N. (1989). Strategic orientation of business enterprises: The construct, dimensionality, and measurement. *Management Science*, 35(8), 942–962.
- Voss, G. B., & Voss, Z. G. (2000). Strategic orientation and firm performance in an artistic environment. *Journal of Marketing*, 64(1), 67–83.
- Zhou, K. Z., Gao, G. Y., Yang, Z., & Zhou, N. (2005). Developing strategic orientation in China: Antecedents and consequences of market and innovation orientations. *Journal of Business Research*, 58(8), 1049–1058.