

**THE EFFECT OF
STRATEGIC ORIENTATION AND ADAPTABILITY
ON
ORGANIZATIONAL BEHAVIORS AND PERFORMANCE:**

**The Case of
Electronic Commerce in the Hosiery Industry**

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(ABSTRACT)

Research into the interrelationship between firm strategy and firm performance is fairly common. Not as common is the examination of firm behaviors as an intermediate construct between strategy and performance. Additionally, the construct of adaptability, found in previous research to be highly correlated with performance, has been inadequately examined as an important macro-level construct. This study develops a theoretical model of the interrelationships among these variables and individually tests each of the links in that model with data drawn from the hosiery industry and its experience with the adoption of Electronic Commerce.

The use of the Strategic Orientation of Business Enterprises (STROBE) construct (Venkatraman, 1989a) and a rigorous development of an adaptability index are important components of this research. The STROBE construct has been used only twice before for comparative analysis of firm characteristics. Specification of adaptability has been inconsistent and non-rigorous in past research.

Specifically, the study model hypothesizes relationships between (1) strategic orientation and adaptability, (2) strategic orientation and firm performance, (3) adaptability and firm performance, (4) strategic orientation, adaptability and the adoption of Electronic Commerce, and (5) the adoption of Electronic Commerce and performance. To assess the model a field study of executives and managers from twenty-one firms in the sock segment of the hosiery industry was conducted.

Results of the study point to several important conclusions. STROBE appears to be a useful strategic construct with which to compare firms in an industry and to identify valid strategic groups. Adaptability was found to be insignificantly correlated with any individual STROBE dimension and a potentially useful managerial variable. Additionally, as in past research, adaptability is correlated with general measures of firm performance. Although the adoption of

Electronic Commerce appears to be related to specific indicators of firm performance, the interrelationship among strategic orientation, adaptability, and the adoption of Electronic Commerce yielded ambiguous results. Further research is indicated to more clearly sort out these complex relationships.

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