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THE MEDIATING ROLE OF STRATEGY IMPLEMENTATION IN THE RELATIONSHIP BETWEEN CUSTOMER ORIENTATION AND PERFORMANCE

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ABSTRACT

Firms develop and implement strategies by using the resources they have. The degree to which firms incorporate these resources into the strategic management process determines both their performance and the level of their competitive advantage. This study investigates the relationship between customer orientation, which can be conceptualized as customer acquisition, customer retention and new customer acquisition, and firm performance and the mediating role of strategy implementation in this relationship. The relationship between customer orientation and performance is in accordance with the studies in the literature and the hypothesis we developed is supported. In addition, as a result of the findings, strategy implementation has a mediating role in the relationship between customer orientation and performance.

Keywords: Strategy, strategy implementation, customer orientation

INTRODUCTION

The competitive environment has transformed more than ever in recent decades. Globalization, rapid technological innovation, employee mobility, access to information and increasing rates of knowledge transfer, customer tastes, changes in products and production processes are the primary reasons for this dramatic shift in the competitive environment (Weber & Tarba, 2014). And this change is projected to continue by increasing its momentum. In today's world where competition is so intense, companies can achieve sustainable competitive advantage and superior performance with the resources they have and the strategies they implement. The researchers of strategic management and marketing have also emphasized these concepts and pointed out that there is a relationship between market orientation and performance (Dobni & Luffman, 2003) (Kirca, Jayachandran, & Bearden, 2005) (Foley & Fahy, 2009) (Wang, Zhao, & Voss, 2016), (Thoumrungroje & Racela, 2022). Although there are many analyses of market orientation and firm performance, there are few studies on how market orientation is used to achieve competitive advantage. Therefore, in this research, the issue of achieving sustainable competitive advantage through market orientation is examined and the mediating role of strategy formulation and strategy implementation in achieving competitive advantage is emphasized.

Porter (1980-1985) claims that firms gain competitive advantage by developing and implementing strategies that use their strengths rather than their weaknesses in order to seize the opportunities that arise in their environment and neutralize external threats. The sources of sustainable competitive advantage depend on how a firm isolates opportunities and threats, identifies its strengths and weaknesses, and uses them to determine strategies (Barney, 1991). In order to improve their performance, firms generally focus on threats and particularly opportunities in their external environment. The alignment between the strategies that firms implement and the resources they have in order to take advantage of the opportunities that may arise in their environment is crucial. Porter asserts that firms should analyze the sector in which they operate, choose their strategies as a result of this analysis, and then acquire the resources they need to implement their strategies. To ensure sustainable competitive advantage, Barney (1991) built the resources of firms on three pillars: physical resources, organizational resources and human resources, and this approach constituted the resource-based theory. The physical resources mentioned here are resources that firms own such as buildings, facilities, machinery and equipment. Organizational resources are the organizational structure, processes, systems, culture and relationships. Finally, human resources consist of the educational background, experience, intelligence and foresight of the employees that the firm hires, from the management level to the staff.

Different perspectives, criticisms and approaches have contributed to the resource-based theory attributed to Wernerfelt (1984) and Barney (1991), which argues that the development and implementation of strategies that will provide sustainable competitive advantage depends on the resources owned. Priem and Butler (2001), for instance, argue that resource-based theory ignores how to acquire, develop and deploy resources to gain competitive advantage, while Lengnick-Hall and Wolff (1999) argue that the theory does not take into account dynamic market conditions. In the light of these and similar studies, collectively referred to as the 'dynamic capabilities' theory, has been developed to address these limitations of the traditional resource-based theory (Morgan, Vorhies, & Mason, 2009). This study also considers the customer orientation of the firm as a resource that will provide sustainable competitive advantage to the firm. Additionally, as mentioned, resources are seen as a source of competitive advantage as long as they enable the firm to formulate and implement the most appropriate strategy. For this reason, this study also examines the mediating role of strategy implementation in the relationship between customer orientation and firm performance.

Costumer Orientation

Narver and Slater (1990) defined customer orientation, which is also the subject of marketing strategy, as the ability of a business to consistently create superior value for its customers. Customer orientation is an essential strategic orientation for an organization (Gatignon and Xuereb, 1997; Wang et al., 2015; Zhou et al., 2005) and represents an organization's strategic position towards its customers (Kohli and Jaworski, 1990; Narver and Slater 1990). In practice, customer orientation includes all activities related to the generation and dissemination of information and appropriate responses to current and future customer needs and preferences (Kohli and Jaworski, 1990). Customer orientation is also based on a marketing concept that prioritizes the interests of customers (Han et al., 1998). Deshpande, Farley and Webster (1993) described the relationship between customer orientation and competitive advantage as the center of a firm's competitiveness. Day and Wensley (1988) argued that the role of customer orientation in strategy implementation is central to the successful implementation of business strategies. In some studies, customer orientation is used synonymously with market orientation and these concepts are used interchangeably (Berthon et al., 2004; Deshpande et al., 1993; Hartline et al., 2000). The traditional emphasis of marketing orientation is on customer-centricity, focusing on consumer needs and generating profits by creating customer satisfaction (Kotler and Armstrong, 1994).

According to Michael Porter (1985), competitive advantage basically consists of the value that a firm can create for its customers. This view also supports the previously mentioned view based on the S-O-R perspective. Additionally, the fact that firms prioritize customers as a strategic orientation provides firms with a competitive advantage (Noble et al. 2002). Companies create superior customer value by continuously providing solutions to customers' obvious needs as well as their latent and future needs (Blocker, Flint, Myers, & Slater, 2011). For this reason, we can argue that strategists recommend customer orientation for organizations. Customer-oriented firms generate and share information about customer needs and coordinate activities to fulfill those needs. In strategy-oriented firms, we can assert that coordinated activities carried out in horizontal and vertical levels are realized in accordance with a specific strategy.

Previous studies investigating the relationship between customer orientation and company performance have suggested that customer orientation is among the important indicators of performance (Narver and Slater 1990, Slater and Narver 1994, Cooper 1994). Customer orientation can lead to strategic actions that enhance capabilities or resources for new services or product development, which can lead to innovation (Wang, Zhao, & Voss., 2016). Furthermore, Wang et al. (2016) argue that customer orientation has significant positive effects on firms' innovation performance. The finding that customer orientation has a significant positive effect on innovation in both manufacturing and service firms is similar to previous research (Atuahene-Gima, 1996; Grinstein, 2008; Hult et al., 2004).

Various studies have addressed the relationship between the concept of customer orientation and customer satisfaction, customer loyalty and service quality. Aburayya (2020), for instance, argued that customer orientation leads to service quality and customer satisfaction leads to customer loyalty. Mohammad et al. (2013) argue that customer-oriented firms have extensive knowledge about their customers, and they use this knowledge to improve service quality, make process optimization and make strategic decisions. Frambach et al (2016) stated that organizations that want to benefit from maintaining strong relationships with customers should consider customer orientation as an essential strategic value and that customer orientation is an important strategic focus that contributes to the firm's performance. In the direction of this definition and explanations, the hypothesis examining the relationship between customer orientation and performance has been developed.

STRATEGY IMPLEMENTATION

The concept of "execution", which is used as a practical concept and means implementation, comes from the Latin word *executionem*. This word also contains the suffix *ex*, which means out, and the root *sequi*, which means to follow and also means to continue (Partridge, 2006). Etymologically, the word execution means following from the outside. It refers to a process of implementation towards the realization of objectives. Although implementation is a more comprehensive concept, it can also be understood as a more holistic effort to create a more integrated entity. The concept of implementation comes from the Latin term "implere" and includes the prefix *im*, meaning in, and the root *plere*, meaning to fill. (Partridge, 2006). Implementation etymologically means to fulfill. In this sense, it refers not only to a process that follows the formulation of objectives, but also to the set of activities aimed at creating or realizing a whole (Zubac, Tucker, Zwikael, Hughes, & Kirkpatrick, 2022). It would be a mistake to consider implementation only as execution, separate from mission, vision, planning and objectives, and to see it as a series of activities independent of these processes. Ultimately, this approach will lead to a failure to fulfill even the etymological origin of the concept of implementation.

The strategic management process of companies consists of five steps when considered as a whole (Hiriyappa, 2008). Hiriyappa's model outlines that developing a strategic vision and explaining the company's relationship with future products, services, markets, customers and technology based on this vision is the first stage of the strategic management process. The second stage is determining the objectives, the third stage is preparing the strategy for realizing the vision and achieving the objectives, and the fourth stage is implementing the chosen strategy effectively and efficiently within the company. The final stage is the implementation of monitoring, development and corrective actions in accordance with the company's long-term direction and goals, and the continuation of strategic implementation in line with performance statements. From this perspective, we can say that strategy implementation as a productive social process can be conceptualized as a series of continuous activities in the strategic management process.

The strategies of the organizations are determined and then the process includes the control of measurable targets at specific time intervals during the implementation phase. Mankins and Richard (2005) argue that companies achieve only 63% of the financial performance that their strategies aim to achieve or promise. Kaplan and Norton (2005) stated that the strategy implementation failure rate is between 60% and 90% in the light of reports compiled from various sources. They claim that this strategy and performance gap is due to the fact that 95% of the company's employees do not know the company's strategy or do not fully understand it. Johnson (2004) suggested that 66% of corporate strategies are never implemented. For this reason, this study examines the contribution of strategy implementation to performance. The mediating role in the relationship between customer orientation and performance was examined by addressing the lack of attention in the literature.

H1: There is a significant relationship between customer orientation and performance.

Another way to gain sustainable competitive advantage is to offer products and services that are oriented towards the customer they already serve. Firms can offer products and services to their customers as much as their resources allow (Barney 1991). Besides the resources that the organization has, the ability to incorporate these resources into strategy and to implement these strategies is also crucial. The level of involvement in strategy formulation and implementation is seen as a factor affecting performance. In this direction;

H2: There is a significant relationship between customer orientation and strategy implementation,

H3: There is a significant relationship between strategy implementation and performance.

The level of implementation of the strategies developed between customer orientation and performance is thought to increase the intensity of the relationship between these two concepts and the following hypothesis was developed.

H4: Strategy implementation mediates the relationship between customer orientation and firm performance.

METHODOLOGY

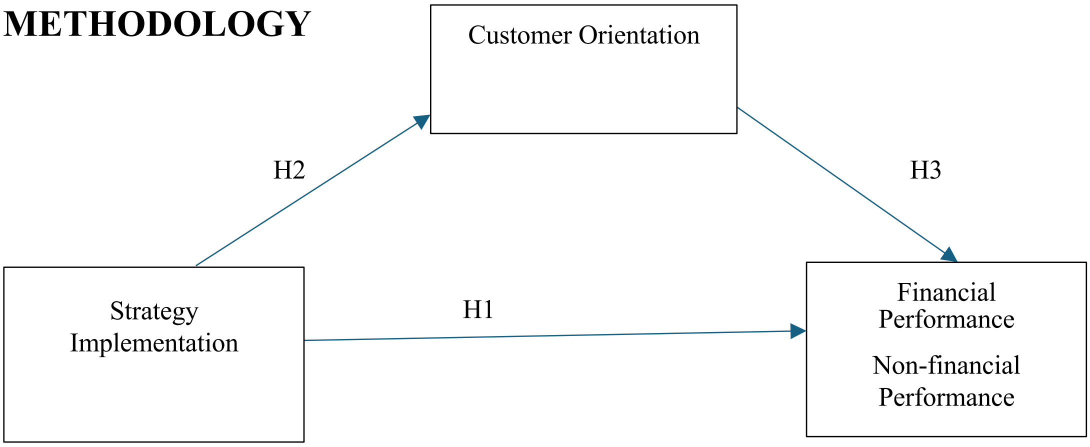

Figure 1: Research Model

In this research, 656 questionnaires were collected through online and face-to-face questionnaire collection techniques. 620 usable data were obtained from these questionnaires after removing those with incomplete and incorrect data entry. The questionnaires filled out by the employees working in the same company were aggregated as a whole and considered as a single company and analyzed with 376 data in the end. According to this data, 92% of the respondents were companies operating in the private sector. A total of 83% of these companies operate at the national level, with 59% in the manufacturing sector, 28% in the service sector and 12% in trade and finance.

METHOD

The method of the research is a field research based on cross-sectional survey. Within the scope of the research, factor analysis, reliability analysis, correlation and regression analyses were performed and research hypotheses were tested. The related analyses were carried out with SPSS program.

Validity and Reliability of Measurement Instruments

Exploratory factor analysis was conducted to investigate the validity and reliability of the scales used to measure the research variables. Principal Component Analysis estimation method and Promax rotation were used in exploratory factor analysis. The scales consist of 31 items in total. In order to test the suitability of the data set for factor analysis, Kaiser-Meyer-Olkin (KMO) sampling adequacy test and Bartlett sphericity test were applied. As a result of the analyses, the KMO value was 0.934, which is above the required level of 0.50, and Bartlett's test was found to be significant at the 0.001 significance level (Field, 2009). Accordingly, it was seen that the data set is suitable for factor analysis in the context of the relevant variables.

In the analysis, the lower limit of the factor loadings of each item was taken as 0.5 (Hair, Black, Babin, & Anderson, 2010). One item each from customer orientation, strategy implementation and firm performance scales were excluded from the scale due to incorrect factor loading and low factor loading. As a result, all items were distributed in the predicted factor structure. The total explained variance level of the 6-dimensional factor components is approximately 74.3%. The table containing the relevant factor analysis data is given below.

Tablo 1: Exploratory Factor Analysis

Factors	**Items**	**Factor Loadings**					
		1	**2**	**3**	4	5	6
Strategy Implementation	SI2	0.905					
	SI1	0.904					
	SI6	0.872					
	SI3	0.843					
	SI7	0.828					
	SI9	0.825					
	SI4	0.823					
	SI8	0.815					
	SI5	0.783					
Customer Orientation	MO2		0.905				
	MO1		0.832				
	MO3		0.805				
	MO4		0.793				
	MO6		0.783				
	MO7		0.695				
Financial Performance	FP8			0.939			
	FP7			0.934			
	FP6			0.899			
	FP10			0.717			
	FP9			0.651			
Non-financial Performance	FP4				0.897		
	FP3				0.85		
	FP1				0.826		
	FP5				0.777		
Technology Turbulence	TT2					0.915	
	TT1					0.888	
Competitive Intensity	RI2						0.896
	RI1						0.883
Explained Variance		42.42	9.132	7.834	5.967	4.706	4.254
Cronbach's Alpha		0.953	0.899	0.899	0.868	0.857	0.807

KMO: 0.934 Bartlett Testi: $p<0.001$
Total Variance Explained: 74.313
Principal Component Analysis with Promax Rotation
Cronbach's Alpha of Firm Performance: 0.897

The reliability of the six factors that emerged as a result of the factor analysis was examined separately based on Cronbach's Alpha value, and since firm performance will be considered holistically in the hypothesis test, all firm performance items were subjected to reliability analysis together. It was observed that the reliability values exceeded the minimum acceptable value of 0.70 in each factor (Field, 2009). This reveals that the factor structure has internal consistency and reliability. The relationships between the research variables were analyzed with Pearson correlation coefficients. There is a moderate relationship between the research variables. While the fact that the correlations are not too low is a premise for analyzing the relationships between variables, the fact that they are not too high eliminates the suspicion of multicollinearity problem (Hair et al., 2010). As a result, the measurement results are psychometrically suitable for hypothesis testing.

Tablo 2 Correlation Analysis

Variables	1.	2.	3.	4.	5.	Ort.	St. Sp.
Customer Orientation	1					4.23	0.68
Strategy Implementation	0.567**	1				3.91	0.81
Firm Performance	0.521**	0.654**	1			4.02	0.65
Competitive Intensity	0.266**	0.163**	0.115*	1		3.97	0.94
Technology Turbulence	0.400**	0.327**	0.302**	0.341**	1	3.91	0.91
* p<0.05, ** p<0.01							

Regression Analysis and Hypothesis Testing

In testing the research hypotheses, multiple regression analyses were performed using the SPSS Process macro, as it provides the opportunity to examine mediating relationships and shows indirect effects with the bootstrap procedure (Hayes, 2017). According to the results of the multiple regression analysis in Table 3, Customer Orientation is positively and significantly related to Firm Performance (B=0.213; p<0.001; H1) and Strategy Implementation (B=0.522; p<0.001; H2). In addition, Strategy Implementation and Firm Performance are also positively related (B=0.520; p<0.001; H3). Accordingly, H1, H2 and H3 are supported.

Tablo 3. Regression Analysis

IVs	**Direct Effects** M1 Strategy Implementation	M2 Firm Performance
Customer Orientation	0.522*** (H2)	0.213*** (H1)
Strategy Implementation		0.520*** (H3)
Competitive Intensity	-0.018	-0.048
Technology Turbulence	0.124*	0.063
F	62.1	80.544
R2	0.334	0.465
Standardized beta coefficients are reported. *p < 0.05, ***p < 0.001		

Indirect Effects	
Total Effect	0.485
Indirect Effect	0.272 (H4)
Low CI	0.195
High CI	0.359
Bootstrap 5000 sampling in 95% confidence interval.	

Indirect effect analysis proposed by Preacher & Hayes, (2008) was carried out since it is a more up-to-date and robust method for investigating mediation effects. Accordingly, if an indirect effect of the independent variable on the dependent variable is observed in the mediation model at the 5000 Bootstrap sample level at 95% confidence interval, there is a mediation relationship. According to the results of the analysis, H4 is supported due to the indirect effect of Strategy Implementation in the relationship between Customer Orientation and Firm Performance.

CONCLUSION

The results of the analyses support the hypothesis that there is a significant relationship between H1 customer orientation and performance. The findings of the study are similar to studies in this literature such as Narver and Slater (1990), Gatignon and Xuereb (1997), Wang et al. (2016), Park and Hur (2023). We can say that customer loyalty, the acquisition of new customers, fulfillment of customer needs and expectations is a factor that will provide above-average profitability in the market in which the company operates. Hypothesis H2, which examines the relationship between customer orientation and strategy implementation, was also supported. Accordingly, customer needs and expectations are closely related to the implementation of the strategies developed by companies. As noted in Kaplan and Norton (2005) and Mankins and Richard (2005), the crucial element here is the implementation of the strategies developed. Successfully developed and implemented strategies positively increase firm performance, and the H3 hypothesis, which analyzes the relationship between strategy implementation and firm performance, is also supported. Finally, the hypothesis that strategy implementation has a mediating role between customer orientation and firm performance is also supported by the data set of the study. Strategy implementation increases the intensity of the relationship between customer orientation and firm performance.

Consequently, customer orientation is one of the main factors that determine customer satisfaction and service quality. Because by its nature, it focuses primarily on customer needs and satisfaction (Park & Hur, 2023). Customer orientation, which is shaped by "taking care of customers", directs companies towards the needs and satisfaction of customers rather than their own interests. In this direction, companies that develop strategies in the context of customer orientation with their resources show superior performance by meeting customer needs and expectations. In addition, the fact that the strategies realized by putting the customer at the center of attention have reinforcing effects on company performance is one of the issues that companies should pay attention to. For this purpose, companies that determine their organizational structure, activities and processes, and successfully lead the strategy by successfully allocating resources will gain more advantage over their competitors in the sector.

As a result of this study, some suggestions for future research can be presented. The first of these is that the motivation and commitment of human resources, which are among the company resources that provide the concept of customer orientation, can be examined in more depth. Another research problem is to examine the role of strategy implementation in the relationship between strategy orientation, which has been addressed in some studies (Gatignon & Xuereb, 1997, Yadav, Prabhu, & Chandy, 2007, Spanjol et al. 2012) and firm performance, which includes competitor and technology orientation as well as customer orientation.

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