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EUROSISTEMA

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# The Role of Business and Innovation Strategies in Company Competitive Performance in an Uncertain Context







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2. Literature Review
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# INTRODUCTION

01



# 1. INTRODUCTION

## Strategy

- Associated with the **creation of a distinctive set of value**
- **Critical** in companies' structure
- Designed to **cope with change**

## Innovation

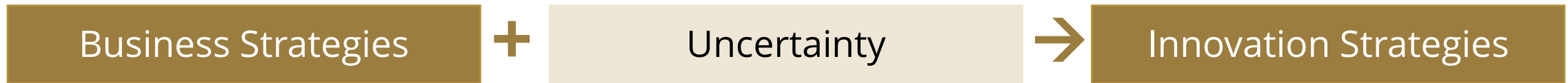
- **Enables** taking advantage of **market opportunities**
- Has a **positive association** with company's **longevity and performance**
- Relationship with company's **productivity and competitiveness**

## Competitive Performance

- **Greatly affected by uncertainty**
- Requires capabilities to
  - **identify opportunities**
  - **adapt to market changes**



# 1. INTRODUCTION



## *Response to transformation*

### Examples:

- 1973 Oil Crisis
- Dot-Com Crash (2000's)
- Global Financial Crisis (2008/09)
- Coronavirus (COVID-19) Pandemic (2020/21)



**Unprecedented levels of uncertainty, volatility and change**



# 1. INTRODUCTION

- Understand which business and innovation strategies have been working best over the years, throughout crises
- Gain insight on the companies' competitive performance and their link to business and innovation strategies in times of uncertainty
- Great value for companies interested in understanding how to cope with uncertainty, whilst attaining competitive advantage through innovation

LITERATURE REVIEW  
AND RESEARCH  
QUESTIONS

02





## 2. LITERATURE REVIEW AND RESEARCH QUESTIONS

### Business strategies

- *How should we compete in this business?*
- Focused on decisions
- Gaining importance in competitive and more dynamic markets

### Innovation strategies

- Provide contributions in leading competition
- A mean to achieve competitive advantage
- Contribute to maintain top-tier performance

**H1: *Companies' strategic dimensions are intrinsically related to each other, as well as the firms' performance and ability to undertake innovation and change processes***

**H1a: *The expenditure in Innovation and R&D is positively correlated with the company's competitive performance***



## 2. LITERATURE REVIEW AND RESEARCH QUESTIONS

- Improved competitive performance leads to creating or increasing competitiveness
- Competitiveness is related to the company's ability to survive and succeed, particularly under uncertain contexts

### Competitive Performance

#### Indicators - Examples

Market Share

Export Share

Profit Margin

Return on Capital

Growth

Productivity

Debt

***H2: To achieve a positive impact in companies' competitive performance, further than having a defined innovation strategy it is important to actively invest in innovation***



## 2. LITERATURE REVIEW AND RESEARCH QUESTIONS

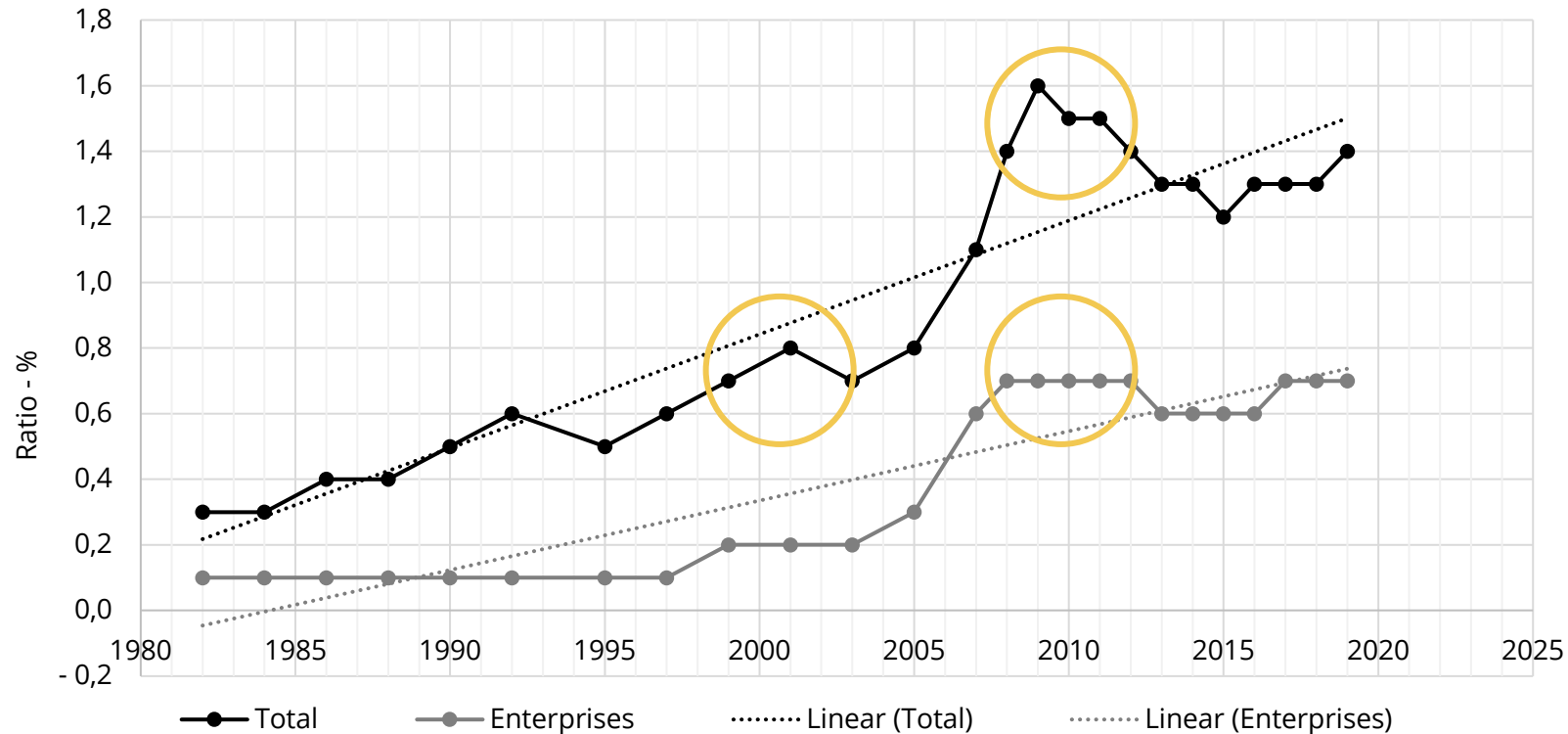


Figure 1 - Expenditure in research and development activities (R&D) as a % of GDP<sup>1</sup>

**H3: *Innovation is triggered by economic downturns and uncertainty periods, being crucial to companies' ability to survive under these conditions***

1. Data source: PORDATA (2019)

# METHODOLOGICAL CONSIDERATIONS

**03**



### 3. METHODOLOGICAL CONSIDERATIONS

#### Sample’s Breakdown (n= 68)

Economic Activities	Freq.	%
Agriculture, forestry, and fishing	7	10%
Industry	35	51%
Energy, water supply and sewerage	4	6%
Construction	1	1%
Wholesale and retail trade, repair of motor vehicles and motorcycles, accommodation, and food service activities	1	1%
Transportation and storage, information, and communication	6	9%
Financial, insurance and real estate activities	1	1%
Other service activities	13	19%

Table 1 - Sample’s Economic Activities

Respondents’ Role	Freq.	%
Executive/ Board Member	42	62%
Senior Management	15	22%
Middle Management	9	13%
Collaborator	2	3%

Table 2 - Respondents’ Role in the Company

Companies’ type of ownership	Companies’ Size				
	Freq.	%		Freq.	%
Public	8	12%	SME	38	56%
Private	60	88%	Non SME	30	44%

Table 3 - Sample characteristics



### 3. METHODOLOGICAL CONSIDERATIONS

Venkatraman's Strategic Orientation of Business Enterprises (STROBE) (1989)		
	Characteristics	No. of Statements
<b>Aggressiveness Dimension</b>	Refers to the position regarding resources allocation when it comes to assess how rapidly its market position is improved.	4
<b>Analysis Dimension</b>	Assess the firm's ability and posture when it comes to overcome problems. Additionally, it refers to the company's consistency in allocating resources given the firm's objectives.	6
<b>Defensiveness Dimension</b>	Assesses a firm's ability in reducing costs and being efficient.	4
<b>Futurity Dimension</b>	Assesses the firm's orientation and consideration of longer-term focus.	5
<b>Proactiveness Dimension</b>	The notion is associated with the firm's search for opportunities, whether on a market level or on a trend level.	5
<b>Riskiness Dimension</b>	Refers to the proneness of the company to engage in risky decisions on either resource allocation or products and markets decisions.	5

Table 4 - Venkatraman's Strategic Orientation of Business Enterprises (STROBE)<sup>12</sup>

1. Adapted from Venkatraman (1989)

2. For further detail on Venkatraman's (1989) Strategic Dimensions Statements, please refer to dissertation's page 30 – Table 10.



# DATA ANALYSIS AND MAJOR OUTCOMES

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## 4. DATA ANALYSIS AND MAJOR OUTCOMES

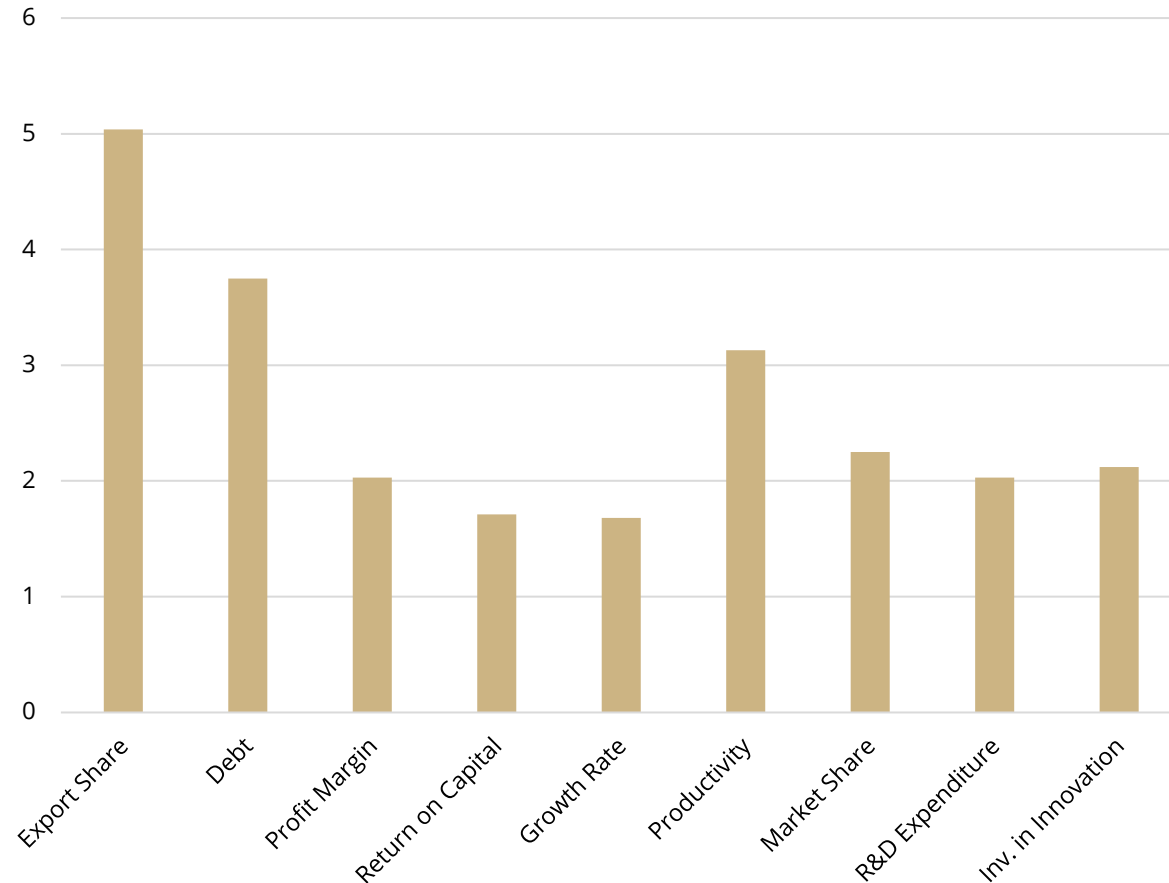


Figure 2 - Respondents Average Answer per Performance Indicator – Breakdown<sup>1</sup>

### Key take-aways:

- companies surveyed have an average Export Share score of 5 (avg. responses lie within the 41-50% of sales for year 2019 threshold)
- companies surveyed have an average R&D Expenditure and Investment in Innovation score of 2 (avg. responses lie within the 6-10% of sales for year 2019 threshold)

1. For further detail on the Indicators conversion scale, please refer to dissertation's page 25 – Table 6



## 4. DATA ANALYSIS AND MAJOR OUTCOMES

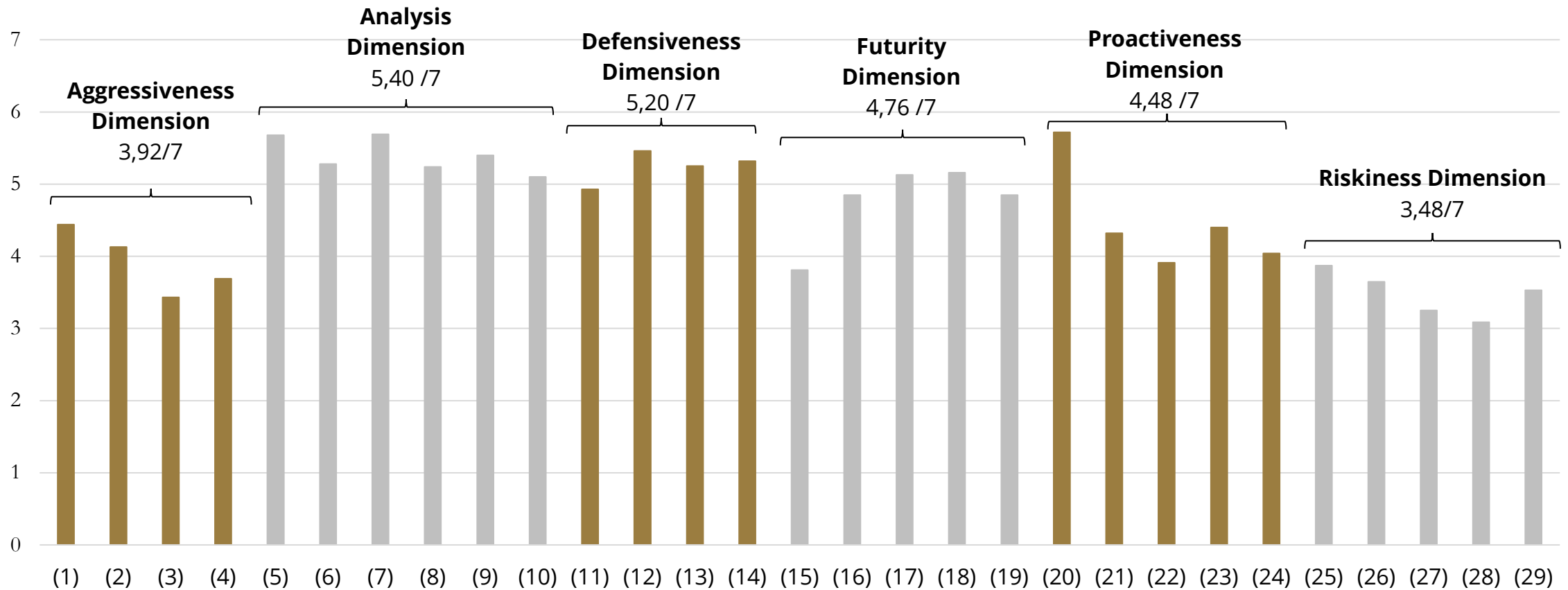


Figure 3 - Respondents Average Answer per Strategic Dimension – Breakdown<sup>1</sup>

1. For further detail on Venkatraman's (1989) Strategic Dimensions Statements, please refer to dissertation's page 30 – Table 10



# 4. DATA ANALYSIS AND MAJOR OUCOMES

(A) Export Share; (B) Debt; (C) Profit Margin; (D) Return on Capital; (E) Growth Rate; (F) Productivity; (G)Market Share; (H) R&D Expenditure; (I) Inv. in Innovation;

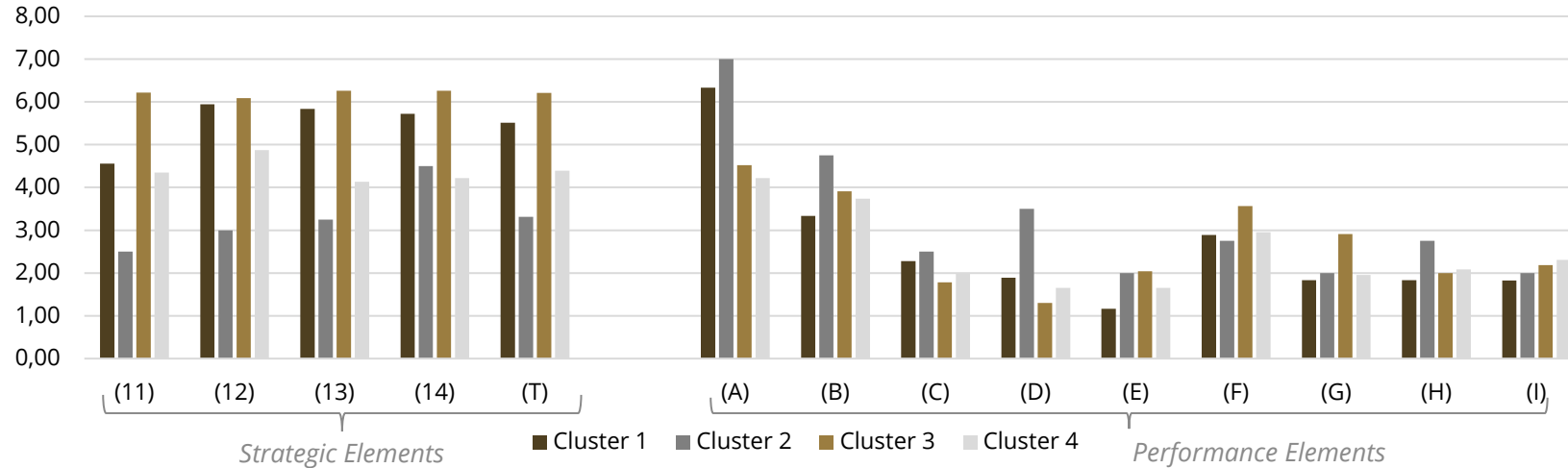


Figure 4 – Defensiveness Dimension Clustering - Average Scores<sup>1</sup>

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
(11)	-13,63%	0,68%	-23,62%	-35,39%	-0,45%	-0,15%	15,59%	-12,95%	-3,34%
(12)	-12,21%	4,55%	-10,66%	-10,96%	-1,73%	10,18%	20,39%	-17,94%	-15,30%
(13)	5,51%	-13,14%	-7,31%	0,00%	3,11%	2,86%	15,82%	-22,37%	-16,20%
(14)	-2,58%	-13,88%	-6,44%	-5,12%	-1,43%	-1,35%	7,95%	-3,48%	-8,94%

Table 5 – Defensiveness Dimension & Performance Indicators Correlations

1. For further detail on Venkatraman’s (1989) Strategic Dimensions Statements, please refer to dissertation’s page 30 – Table 10



## 4. DATA ANALYSIS AND MAJOR OUCOMES

Average of Number of Years with Governmental Financial Aid (2005-2020)		Average of number of years per performance classification					
		Bad	Below Average	Average	Above Average	Good	
<b>Sector</b>	Public	7,6	0,9	3,0	3,0	3,0	4,3
	Private	4,8	0,7	2,5	3,6	3,9	3,4

Table 6 - Company's performance by typology

### Limitations

- Sample size and predominant weight of industry as economic sector
- Respondent's perception on both the strategy and the company may be partial
- This study's sample is not representative of the entire reality of the Portuguese companies

# CONCLUSIONS

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## 5. CONCLUSIONS

- **Strategic management** and **uncertainty-related decisions** are **intertwined**
- **Innovation strategies** play an active role in companies' **adjustment to change**
- **Uncertainty** is an **ever-present element** of companies' business reality
- Companies that focus on a stronger ***Futurity Dimension*** appear to **perform better**
- **Defensive strategies** appear to lead to **lower performance** results
- **Investment in Innovation** is positively linked to **R&D Expenditure** and **Performance**
- Contrary to what had been found in literature, **no apparent correlation** between **Export Share** and **R&D Expenditure** or **Investment in Innovation** could be found

FUTURE RESEARCH

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## 6. FUTURE RESEARCH

- Further analyze all of the correlations evidenced in the matrixes that are not yet supported in the literature
- Repeat the analysis with a larger sample and with a more balanced distribution of economic activities
- Better understanding the relationship between government funding and companies' performance

# Obrigada

