

## Exploring and Evaluating the Effects of Strategic Positioning on Firms Performance with Regard to Physical and Perceptual Positioning

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### Abstract

**Purpose** - The purpose of this paper is to analyze the strategic positioning in door manufacturing industries operating in Iran and to identify the main factors which may have significant influence on the adoption of a physical and perceptual positioning strategy by a firm.

**Design/ Methodology/ Approach** - The paper considers six firm-specific characteristics which can be associated with the adoption of a physical and perceptual positioning strategy which include: technical characteristics, physical characteristics, objective criteria, paying attention to customer's needs, perceptual characteristics, and subjective criteria.

**Findings** - The results indicate that there is a positive relationship between technical characteristics and physical positioning, a positive relationship between subjective criteria and perceptual positioning, a significant relationship between physical positioning and strategic positioning, and a significant relationship between perceptual positioning and strategic positioning. However, there is not a positive relationship between physical characteristics and physical positioning, there is not a positive relationship between objective criteria and physical positioning, there is not a positive relationship between customer's needs and perceptual positioning, and there is not a positive relationship between perceptual characteristics and perceptual positioning.

**Originality/ Value** - The paper adds to the international data on physical and perceptual positioning by providing what may well be a first influencing factor on industries operating in Iran situations for production.

**Key words:** Strategic positioning; Physical positioning; Perceptual positioning; Competition; Differentiation

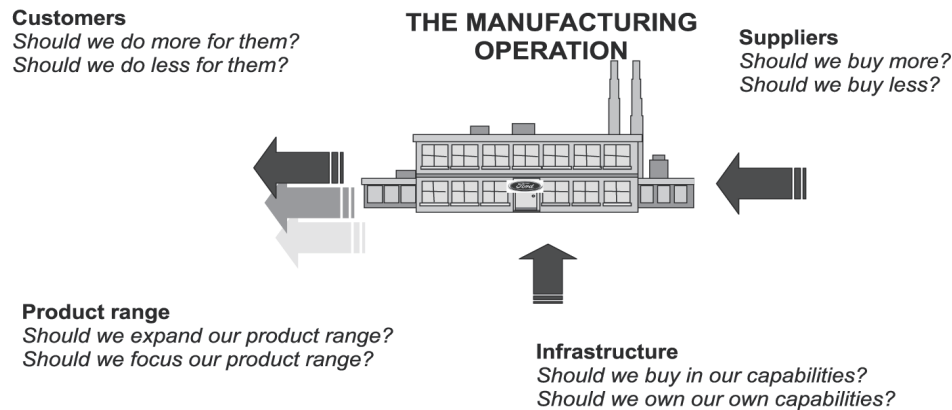
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### INTRODUCTION

A key strategic decision for manufacturers is deciding those manufacturing activities that an organization should carry out by paying attention to its physical characteristics and its perceptual characteristics. In Iran, during the last decades, companies have been faced by increasing pressures in order to reduce their expenditures. In this sense, managerial responses to such pressures can be classified into two general categories: some firms have chosen to ignore such pressures, while others have an active approach and tried to position themselves well in this competitive market and, accordingly, have adopted a true strategic position. Companies belonging to this group are increasingly aware of the fact that a positive approach can provide them important competitive advantages. However, the objectives or pressures that lead them to include positioning can be different. Therefore, between companies which have adopted a true strategic position are two positions: some firms limit themselves to choose physical positioning (technical characteristics, physical characteristics, and objective criteria), and other

companies try to choose perceptual positioning (paying attention to customer's needs, perceptual characteristics, subjective criteria). Strategic planning is a suitable tool to reach organizational goals. Positioning is to offer general terms to explain, forecast, and recommend policies to companies in order to strategic (Blankson C., 2011). The strategic positioning decision is concerned with the choice

of activities carried out internally by the host organization. When considering these activities, it can be useful to view a manufacturing organization as having four principal decision or business areas. Figure 1 provides an illustration of strategic positioning decisions associated with each of the four areas (Tim Baines et al, 2005).



**Figure 1**  
**An Illustration of Strategic Positioning Decisions**

In this paper, it is tried to seek the following issues:

- Lack of a framework to evaluate strategic positioning in Nowdar Company.
- Lack of a suitable evaluation pattern for physical positioning with regard to Technical characteristics, Physical characteristics, Objective criteria.
- Lack of a suitable evaluation pattern for perceptual positioning with regard to paying attention to customer's needs, Perceptual characteristics, Subjective criteria.

The paper continues by reviewing current research in this area and briefly summarizing previous works. The research design is then described, and this includes a summary of the aim, objectives, and the research program. The central sections of the paper then describe the strategic positioning in detail. The later section gives the results of applying this process, along with a discussion based around these, and concludes with our thoughts on future research.

## 1. STRATEGIC POSITIONING

Strategic Positioning is to offer general terms to explain, forecast, and recommend policies to companies in order to strategic positioning. Positioning is actually considering two issues:

The position that a product or a brand has in minds of customers (with regard to their needs, or competitor's products or brands).

Managers' decisions in creating this position.

Therefore, positioning idea include competition considerations and paying attention to customers' needs.

Kalafatis SP. et al (2000) state that the post-entry strategic positioning in a host market is important for MNEs' success, as firms must position properly in the marketplace to gain competitive advantage. However, little attention has been paid to firms' strategic positioning in market center as generalist firms or market peripheries as specialist firms in a host market. His study echoes the call for an integrated approach in international strategy research (Peng, 2002). An "strategy tripod" perspective is proposed by Luo (2004) to empirically examine the direct effects of foreign firms' knowledge resources and the industry structure (in terms of market concentration) on the positioning strategy in a host market and the moderating role of institution in this relationship. The findings of his study support the major predications of resource partitioning theory in a multi-industry, cross-country context. These findings imply that market condition in a host market might be a dominant factor when firms develop their positioning strategies in specific markets. It is somewhat surprising that international experience does not seem to have significant impact on foreign firms' strategic positioning in a host market, as foreign firms might adjust their strategy to adapt to market conditions in different markets (Hooley et al, 2001).

Jin Kim et al (2008) investigated what strategic positions exist in the e-business context and how strategic positioning affects firm performance. Their study draws on the concept of fit between environmental factors and organizational factors. Their study tests this argument and contributes to literature in two ways. First, this research investigates the issue of determining strategic position

based on both environmental factors and resources of firms. Second, their study empirically tests the role of strategic positioning in explaining firm performance. By explaining the relationship between performance and strategic positioning, their study can also provide insights into the combination of multiple strategies into a specific form. Their study actually illustrates that the combination of an innovative differentiation strategy (IDS) with technological resources strongly affects firm performance in the dynamic and unstable e-business context. The findings of their study lend support to the hypothesis of distinctive grouping based on environmental factors and resources. The findings also support the hypothesis that strategic positioning influences firm performance. They have stated the importance of strategic positioning in establishing an e-business and have touted the potential to gain competitive advantage through the use of IT and e-business technology. Relatively little research has been done to empirically test the relationship between strategic positioning and firm performance, however (Knox S, 2004). This lack of empirical examination prevents managers from making an informed choice as to which strategic position is the most suitable to their given situation and how the choice of strategic position will affect business performance (Lavie et al ,2003).

Blankson et al (2009) examined the application of positioning strategies of retail service firms in Texas. Four in-depth qualitative case studies and covert observation methods provide candid subterranean insight into retail positioning in a dynamic marketplace. “Branding”, “service”, “value for money” and, to a lesser extent, “reliability” and “attractiveness” positioning strategies emerge as the most dominant positioning strategies, although emphasis placed on each varies from firm to firm. Furthermore, all of the firms achieve acceptable sales and favorable consumer perceptions when employing these positioning strategies. The study reveals that managers had

several descriptions of their positioning strategies. They also gave impressions about their actions and the impact of these actions on their firms’ performance. The findings are then used to propose tentative normative guidelines for managing the concept of positioning. The results support the aim of the study in that there is indication of the definite application of positioning strategies.

## 2. RESEARCH HYPOTHESES

Main hypothesis 1: There is a positive significant relationship between physical positioning and strategic positioning.

Sub-hypothesis 1: Technical characteristics positively influence physical positioning.

Sub-hypothesis 2: Physical characteristics negatively influence physical positioning.

Sub-hypothesis 3: Objective criteria negatively influence physical positioning.

Main hypothesis 2: There is a positive significant relationship between perceptual positioning and strategic positioning.

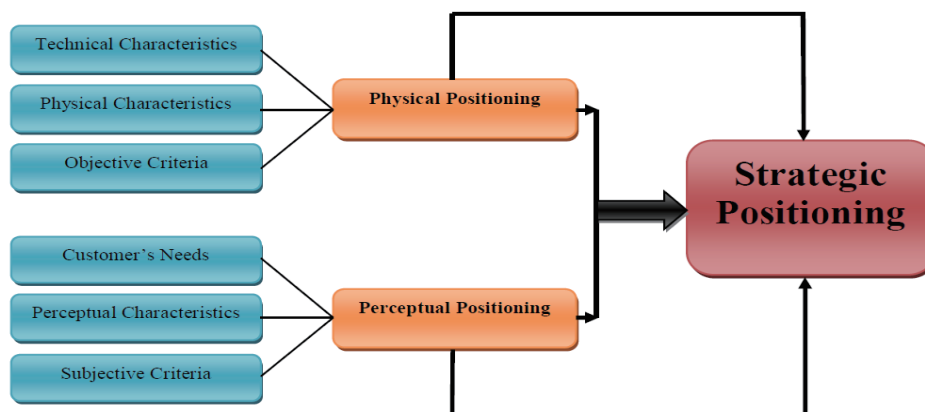
Sub-hypothesis 4: Customer’s needs negatively influence perceptual positioning.

Sub-hypothesis 5: Perceptual characteristics negatively influence perceptual positioning.

Sub-hypothesis 6: Subjective criteria positively influence perceptual positioning.

## 3. RESEARCH MODEL

With regard to the purpose of this research, it is tried to investigate the influencing factors on competitive advantage in order to determine the strategic position of Nowdar Company. Accordingly, the main model of this research which will guide the research process is proposed in Figure 2:



**Figure 2**  
**Model of Physical and Perceptual Positioning in Order to Reach Strategic Positioning**  
 Fahy et al (2002), Fleisher et al (2002), Gao (2010)

#### 4. RESEARCH DESIGN

The aim of this research is to propose a strategic conceptual and operational framework in order to determine the strategic position of Nowdar Company. In terms of method of data collection and its nature, the current research is a descriptive survey. The population of this research includes all of the employees working in Nowdar Company that are totally 160 ones. They have a master's degree, bachelor's degree, and diploma. It is worth to mention that 92% are men, 55.6% work in sales departments, 61% are between 31 to 40 years old, and 78% have academic educations. A stratified random sampling method is used in order to estimate population parameters. With regard to their working area, Nowdar Company employees were divided into eight categories. Considering the volume of each working area, the samples were selected from all of the categories proportionally. Using the coefficient of a finite population correction without any placement, the sample size was determined 86. Library and field methods are used for data collection.

A questionnaire is used to collect data. The questionnaire has 79 questions; its first part is to measure physical positioning of Nowdar Company, the second part measures perceptual positioning of Nowdar Company, and the third part measures the strategic positioning of this Company. Variables in this research are qualitative and the Likert five-degree range is used to measure these variables. As the questionnaire is standard and designed based on experts' viewpoints, the research validity is confirmed. A Cronbach's alpha coefficient is used to test the reliability of the research. Table-1 shows results of the Cronbach's alpha test for each variable and its dimensions according to responses of 86 responders.

**Table 1**  
**Results of Cronbach's Alpha Test**

VARIABLES	MEASUREMENTS
Perceptual Positioning	0.835
Technical Characteristics	0.708
Physical Characteristics	0.887
Objective Criteria	0.750
Physical Positioning	0.822
Paying Attention to Customer's Needs	0.780
Perceptual Characteristics	0.877
Subjective Criteria	0.838
Strategic Positioning	0.900
79 Main Questions of the Questionnaire	0.813

After validity and reliability were confirmed, the questionnaire was distributed and completed in summer 2011. Descriptive statistics, demographic data, and data related to variables including technical characteristics, physical characteristics, objective criteria, paying attention to customer's needs, perceptual characteristics,

and subjective criteria were classified according to their frequency in order to analyze the research data. The Pearson Test is used to generalize the results of the main hypotheses and six first sub-hypotheses are tested by Regression (Aiken et al, 1991).

Then the confirmative factor analysis of the physical positioning with three factors of technical characteristics, physical characteristics, and objective criteria as well as the perceptual positioning with three factors of customer's needs, perceptual characteristics, and subjective criteria were studied. At the end, using a structural equation modeling test, the fitness of the research model were studied. Direct effects, indirect effects, and total effects of variables were also calculated according to the model's path analysis and as the path coefficients are standard, it was possible to compare them with each other directly.

#### 5. POSITIONING PROCESS

Positioning process is inputting new or current products in customers' minds (McNamara et al, 2003). This process is illustrated in following algorithm which should be considered for products and services, internal or international markets, and for new or current products:

- (1) Recognizing a suitable set of supplied products to the target market;
- (2) Recognizing a set of determinant characteristics that specify positions of current products;
- (3) Collecting ideas of current and potential customers about each product (with regard to above characteristics);
- (4) Determining current position of products and its importance for customers (product positioning);
- (5) Determining current position of products and its importance for customers;
- (6) Examining the relationship between prominence of markets segments and current position of products (Market Positioning) for reaching to recognize some provided needs of customers;
- (7) Preparing a report to help the processes of designing and implementing for marketing strategy plan (Zhang et al, 2009).

#### 6. ANALYZING AND EXPLAINING DATA

Before analyzing the research hypotheses, the normality of the component's distribution should be tested. If the components are normal, parametric tests should be applied to test the research hypotheses and if they are not normal, non-parametric tests should be applied. The normal data distribution was examined using the Kolmogorov-Smirnov test and with regard to the obtained data, the normal distribution was confirmed. In order to test the normal distribution, with regard to the Kolmogorov-Smirnov test, if Sig<0.05, the normal

distribution of population is rejected and if Sig>0.05, the normal distribution of population is confirmed (Cohen et al, 1992). Considering that Sig=0.953, therefore the

normal distribution of data is confirmed. Results of the Kolmogorov–Smirnov test is illustrated in table 2.

**Table 2**  
**Kolmogorov–Smirnov Test of Variables’ Normal Distribution**

VARIABLE	AVERAGE	STANDARD DEVIATION	SIGNIFICANT LEVEL	RESULT
Physical characteristics	3.64	0.383	0.359	Normal Data Distribution
Technical characteristics	3.63	0.438	0.61	
Objective criteria	3.94	0.340	0.852	
Customer’s needs	3.61	0.701	0.650	
Perceptual characteristics	3.39	0.762	0.589	
Subjective criteria	3.10	1.14	0.609	
Physical positioning	3.28	0.567	0.991	
Perceptual positioning	3.41	0.720	0.511	
Strategic positioning	2.77	0.486	0.071	

Results of calculating the regression test is illustrated in table 3 (Darlington, 1990).

**Table 3**  
**Results of the Regression Test for All Sub-Hypotheses**

VARIABLE	B	T	SIGNIFICANT LEVEL	RESULTS
Sub-hypothesis 1	0.712	8.64	0	Positive
Sub-hypothesis 2	-0.092	-1.09	0.279	Negative
Sub-hypothesis 3	0.155	1.9	0.061	Negative
Sub-hypothesis 4	-0.076	-0.621	0.537	Negative
Sub-hypothesis 5	0.135	1.15	0.268	Negative
Sub-hypothesis 6	0.622	6.89	0	Positive

## 7. RESULTS AND RECOMMENDATIONS

Research hypotheses were tested with regard to results of statistical analysis. Table 4 illustrates the results

of testing the research hypotheses. As it was shown before, 4 hypotheses were confirmed and 4 ones were rejected.

**Table 4**  
**Results of Testing the Research Hypotheses**

NO.	HYPOTHESES	TEST	RESULT
Sub-hypothesis 1	Technical characteristics positively influence physical positioning.	Regression	Confirmed
Sub-hypothesis 2	Physical characteristics negatively influence physical positioning.	Regression	Rejected
Sub-hypothesis 3	Objective criteria negatively influence physical positioning.	Regression	Rejected
Sub-hypothesis 4	Customer’s needs negatively influence perceptual positioning.	Regression	Rejected
Sub-hypothesis 5	Perceptual characteristics negatively influence perceptual positioning.	Regression	Rejected
Sub-hypothesis 6	Subjective criteria positively influence perceptual positioning.	Regression	Confirmed
Main hypothesis 1	There is a positive significant relationship between physical positioning and strategic positioning.	Correlation coefficient test	Confirmed
Main hypothesis 2	There is a positive significant relationship between perceptual positioning and strategic positioning	Correlation coefficient test	Confirmed

With regard to the implemented tests, distribution of the model’s variables statistics is illustrated in the table 5:

**Table 5**  
**Distribution of the Model's Variables Statistics**

VARIABLES	$\bar{X}$	S	CV (%)
Physical characteristics	3.64	0.383	10.53
Technical characteristics	3.63	0.438	12.07
Objective criteria	3.94	0.34	8.63
Customer's needs	3.61	0.701	19.42
Perceptual characteristics	3.39	0.762	22.48
Subjective criteria	3.1	1.14	36.78
Physical positioning	3.28	0.567	17.29
Perceptual positioning	3.41	0.72	21.12
Strategic positioning	2.77	0.486	17.55

With regard to results of the first sub-hypothesis, it was concluded that technical characteristics influence physical positioning. Nowdar Company should use the best materials for the sheets used in doors to create a dominant physical position with regard to technical characteristics for this company. As physical characteristics don't influence physical positioning, Nowdar Company should work on improving the quality of its products, increase the life of its products, and as a result, improve its physical position with regard to physical characteristics. Objective criteria don't influence physical positioning either. The reason is that Nowdar Company doesn't offer special sales promotions such as discounts to particular markets like huge private and public companies and potential customers. Nowdar Company should make coordination between its R&D department and its marketing department in responding to customers' need in the competitive market. In this way it can reach a dominant perceptual position with regard to customers' needs. Nowdar Company should conceptualize its sales promotions for customers in order to create a dominant perceptual position with regard to perceptual characteristics.

Testing results of the sixth hypothesis revealed that subjective criteria influence perceptual positioning. Therefore, Nowdar Company can offer various colors, various designs, make research expenses effective, make the designs flexible, and interact with the environment well in order to maintain its dominant perceptual position with regard to subjective criteria.

It should be mentioned that economizing in raw materials for production and increasing the quality and total life of the products can create a dominant strategic position with regard to physical positioning (Tzokas et al, 2004). With regard to results of the second main hypothesis, it was revealed that there is a significant relationship between perceptual positioning and strategic positioning. Therefore, Nowdar Company can increase its ethics in production and sales from the moment they make a contract with customers till the time of installing

and delivering products to customers in order to maintain its dominant strategic position with regard to perceptual position. Here are some recommendations that Nowdar Company may apply to increase its strategic position in the door manufacturing market.

- (1) Assigning the required budget to attend in national and international exhibitions in order to increase the company's competition power in a market.
- (2) Making the sales specialists and marketers of the company familiar with R&D issues. In this way, trust will be created in customers, their needs would be understood better, and supplied services would be improved (Trout et al, 2000).
- (3) Offering premiums and incentives for marketers, sales specialists, researchers, and employees in order to satisfaction of the eventual market from the company's products and services.
- (4) Offering various sales promotions such as free transportation of products, suitable storage of materials, etc.
- (5) Utilizing elements that are aware and informed of how to reach a dominant strategic position.
- (6) Reviewing and declaring contradictions of the relationship between the research department and the marketing department in studying designs and variety of products as well as paying attention to customers' needs (Sveiby et al, 2001).
- (7) Utilizing and updated technology to manufacture the products with minimum expenditure and maximum efficiency and productivity.
- (8) Simplifying the conditions for the company's representatives in different states of Iran and supporting them. It should be mentioned that a dominant strategic positioning has a direct relationship with the dominant position of the company in different geographical regions.
- (9) Letting the employees to attend the companies which have a dominant strategic position worldwide in order to understand their strengths, weaknesses, problems, needs, opportunities, and threats that face their dominant strategic position.

- (10) Thorough implementation of the process model in order to reach the dimensions of strategic positioning in the company.

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