The relationship between business strategy and customer satisfaction:  
A study of South African business performance

Yolanda Jordaan1* 
Jacobus Johannes Badenhorst2

1,2Department of Marketing Management, Faculty of Economic and Management Sciences, University of Pretoria, South Africa

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ABSTRACT

The purpose of this paper is to investigate the inter-connected relationships of business strategy, customer satisfaction and business performance. Data was collected from senior executives in small, medium, large and corporate businesses in South Africa, and supplemented with existing available national customer satisfaction data. A total sample of 1,069 business leaders was realised of which 64 businesses had available customer satisfaction data. Findings revealed a relation between a clear business strategy and high levels of customer satisfaction. More importantly, both business strategy and customer satisfaction differentiate businesses on overall performance/success. This single survey study could not capture business-performance drivers within a value chain of decisions, actions and outcomes. The association between business strategy and customer satisfaction cannot be ignored by practitioners who aspire to improve business performance. Thus, if customer satisfaction aligns with a clear business strategy it can provide superior business performance in comparison to industry competitors. These results show conclusively that the clarity of a business’s purpose, through consistently prioritising one of Porter’s generic strategies, succeeds in satisfying customers. While previous research analysed the relationship between both business strategy and customer satisfaction with business performance, the originality of this study lies in linking business strategy with customer satisfaction. Furthermore, the research adapted existing business measurements to bring it in line with Porter’s generic strategies, and then adjusted the strategy classification to be consistent with how businesses prioritise strategies.

Introduction


In support of Porter’s model, the satisfaction-profit chain model describes the expected relationship between customer satisfaction and financial/economic performance (Fornell, Mithas, Morgeson & Krishnan, 2006; Anderson & Mansi, 2009; Journal of Business and Management Review Vol. 3 No. 9 2022 Page 656-674 DOI: 10.47153/jbmr39.3892022  *Corresponding Author Email address: yolanda.jordaan@up.ac.za
Tuli & Bharadwaj, 2009; Merrin, Hoffmann & Pennings, 2013; Islami, Mustafa & Latkovikj, 2020). Thus, from both a marketing and economic perspective, customer satisfaction is seen as a factor for business performance.

Despite the notion that the relationship between both business strategy and customer satisfaction with business performance is critical and intricate, and an apparent conceptual logical relationship between business strategy and customer satisfaction exists, no existing empirical evidence could be found that quantifies the latter relationship. Therefore, the main purpose of this study is to explore the relationship between business strategy and customer satisfaction. Secondary to this relationship assessment, the assumed relationships of both business strategy and customer satisfaction with business performance will be verified, for the main reason that strategic choices and performance in emerging economies have been under-researched (Yuliansyah, Rammal & Rose, 2016). In addition, the study will also focus on improving the measurement of business strategy since quantitative measurement remains poorly developed. Furthermore, the study will align the strategy analysis with Porter’s paradigm by classifying businesses into two groups according to whether such businesses prioritise Porter’s generic strategies, or not. Ultimately, a better understanding of the relationship between business strategy and customer satisfaction can hold significant implications for business practitioners.

The paper considers the theoretical foundation of business strategy by focusing on Porter’s (1980; 1985) generic strategies paradigm. This is followed by a broad overview of customer satisfaction and the potential conceptual relationship between customer satisfaction and business strategy. Business performance as a measurable outcome, linked to both business strategy and customer satisfaction, is also discussed. Thereafter the research methodology and analysis are presented, followed by a discussion of the findings and managerial implications.

Literature Review

Business strategy

Strategy research is underpinned by Industrial Organisation (IO) theory developed by economists during the 1930s to 1950s; and laid the foundation for understanding the relationship between business strategy and business performance (Bain 1956 as cited in Ghemawat, 2002; Allen & Helms, 2006). According to economists at the time, business performance, and primarily profit, should be minimised to the benefit of the end consumer (Ghemawat, 2002).

Opposing the economist view of minimised profit, Porter (1981; 1983) viewed the IO theory forces with a profit maximising perspective, and as such developed the dominant paradigm in business strategy – particularly the generic strategies for
business, namely cost leadership, differentiation, and focus (Porter, 1980; Porter, 1985; Campbell-Hunt, 2000). According to Porter’s (1980, 1985) generic strategies paradigm there are essentially two ways in which businesses can achieve competitive advantage, namely cost leadership and differentiation (Dess, Lumpkin, Eisner & McNamara, 2021). Porter (1980) adds a third dimension to these two strategic extremes whereby a business can apply its chosen strategic choice in either a broadly- or a narrowly-focussed market scope – and is therefore referred to as the third generic strategy, namely focus.

Several authors agree that Porter’s conceptual paradigm of business strategy remains the dominant paradigm for business strategy; and that the paradigm is theoretically sound, current and practical (Campbell-Hunt, 2000; Ghemawat, 2002; Nandakumar, Ghobadian & O’Regan, 2011; Lafley & Martin, 2013; Dess et al., 2021; Martin, 2015). However, many find the measurement of Porter’s (1980; 1985) generic strategies confusing and contradictory, with little consensus on clear cause and effect links between business strategy and business performance (Parnell, 1997; Campbell-Hunt, 2000; Allen & Helms, 2006; Nandakumar et al., 2011).

Porter (1980) makes a theoretical proposition that any business failing to choose between a prioritisation of low-cost leadership or a differentiation strategy will achieve business performance outcomes below industry standards. These businesses that fail to choose a clear strategy are classified as ‘stuck-in-the-middle’ (Gomes, Najjar & Yasin, 2018; Porter 1980; Porter, 1985). In previous studies attempting to link Porter’s generic strategies to business performance, authors examined which of the generic strategies are the most effective by trying to identify which strategy results in the best business performance (Helms, Dibrell & Wright, 1997; Salavou, 2010; Nandakumar et al., 2011). This approach is not in line with the intention of Porter’s paradigm, which states that the real difference in business performance is to be found in the strategy groups (instead of one of the strategies). Thus, to establish the real link with business performance it is these two groups: (1) consistently prioritising Porter’s generic strategies, and (2) inconsistently prioritising Porter’s generic strategies, that need to be identified. Part of this identification relies on the availability of a valid and reliable scale based on Porter’s strategies paradigm. For this purpose, the first secondary research objective of the study is to focus on the adaptation and improvement of the business strategy measurement of Porter’s generic strategies to ensure useful application to the two business strategy groups.

**Customer satisfaction**

Customer satisfaction is when the customer’s evaluation of their experience with the company or brand exceeds their pre-purchase expectations. Satisfied customers tend to support the businesses in question again, making it an important consideration for service providers (Zunaidin, 2021; Nugroho & Suprapti, 2022). Customer
satisfaction is also seen by some as the standard for economic business performance because customers contribute to businesses that satisfy their needs (Fornell et al., 2006; Eklof, Hellstrom, Malova, Parmler & Podkorytova, 2017).

In support of Porter’s model, the satisfaction-profit chain model describes the expected relationship between customer satisfaction and financial performance, with the notion that if customer satisfaction increases, it should ultimately lead to greater profitability (Anderson & Mittal, 2000). In this regard, there is substantial empirical evidence showing a relationship between customer satisfaction and business performance (Anderson, Fornell & Lehmann, 1994; Morgan & Rego, 2006; Fornell, 2007; Keiningham, Cooil & Andreassen, 2007; Luo & Homburg, 2007; Anderson & Mansi, 2009; Tuli & Bharadwaj, 2009; Merrin et al., 2013; Liang & Frösen, 2019). A large part of the evidence that links business performance with customer satisfaction is vested in the American Customer Satisfaction Index (ACSI) (Anderson et al., 1994; Fornell et al., 2006; Anderson & Mansi, 2009; Fornell, Morgeson & Hult, 2016; Sorescu & Sorescu, 2016). The ACSI is a cause-and-effect model that measures overall customer satisfaction as a latent variable (Anderson & Fornell, 2000). The South African Customer Satisfaction Index (SAcsi) adopted the methodology of the ACSI via their international partnership programme to create a national customer satisfaction index for South Africa (ACSI, 2022; Consulta, 2022). For the purpose of this study, data from the SAcsi model was used since it forms an ideal base for the measurement of actual (objective) customer satisfaction.

Business performance

The theoretical, empirical and managerial dimension that links the measurement of business strategy and customer satisfaction in this study is business performance. Business performance relates to assigning resources to achieve goals of profitability, market share and sales growth to derive a competitive advantage (Tomas, Hulta, Hurley & Knight, 2004). Measuring and determining the performance of a business for this purpose is not easy or easily comparable across studies (Allen & Helms, 2006; Katsikeas, Morgan, Leonidou & Hult, 2016). Several authors reported difficulties in finding accurate business performance indicators since many factors play a role in business performance (Dess & Robinson Jr, 1984; Fornell et al., 2016; Katsikeas et al., 2016; Alaaraj, Mohamed & Bustamam, 2018; Yadav, Sushil & Bititci, 2018; Utami, Sutrisno, Teofilus & Ardyan, 2021). Many authors agree that objective business performance indicators should always be used where available. However, where objective performance measures cannot be obtained, subjective business performance indicators are considered suitable substitutes (Dess & Robinson Jr, 1984). For the purpose of this study, business performance is measured by means of a subjective assessment by respondents.
Conceptual framework of the research

There is a large body of knowledge that has established the link between business strategy and business performance (Akan et al., 2006; Allen & Helms, 2006; Allen & Helms, 2002; Nandakumar, Ghobadian & O'Regan, 2011; Parnell, 1997:177). Similarly, customer satisfaction has been linked with business performance (Fornell, Morgeson III & Hult, 2016; Katsikeas, Morgan, Leonidou & Hult, 2016). Since both business strategy and customer satisfaction contribute to business performance, one would expect a logical relationship between business strategy and customer satisfaction. Yet, there is very little existing empirical research that links business strategy and customer satisfaction (Anderson & Fornell, 2000; Fornell, 1992; Katsikeas et al., 2016; Porter, 1980, 1985). Therefore, the primary research objective of this study (ROI) is to examine whether a relationship exists between business strategy (based on Porter’s generic strategies as foundation) and customer satisfaction (using the SAcsi data). A conceptual framework outlining the research objectives has been proposed as shown in Figure 1. Before the primary research objective (ROI) can be assessed, the business strategy measurement instrument has to be refined (RO1a) to better align with Porter’s generic strategies. Thereafter, the assumed relationships between business strategy and business performance (RO1b), as well as the relationship between customer satisfaction and business performance (RO1c), have to be confirmed.

Figure 1. Conceptual framework of the research
Method

The research study was executed in three phases. Phase 1 entailed the adaptation of the business strategy measurement, and the identification of consistent and inconsistent strategy groups. For Phase 1, SPSS Version 23 was used to conduct an exploratory factor analysis, using principle axis factoring extraction with Varimax rotation and Kaiser normalisation, to uncover the underlying structure of the business strategy items as identified by the experts in the in-depth interview phase. Thereafter, the Hierarchical Bayes application of multinomial logit analysis (MNL) was used to estimate respondent-level scores for the best-worst rating of the business strategy items using Sawtooth Software SSI Web 8.3.8. This was followed by another exploratory factor analysis in SPSS to assess the discriminant and construct validity of the scales used in this study. Cronbach’s alpha was also calculated to assess internal reliability or the Spearman-Brown coefficient in cases where factors had only two items (Eisinga, Grotenhuis & Pelzer, 2018). Finally, the fit statistic calculated in the best-worst scaling Hierarchical Bayes application was used as input to determine the two clusters by means of K-means clustering using Statistics 11, and a one-way ANOVA to indicate the homogeneity-within-and-difference-between criterion with \( p \leq 0.01 \). The very last step entailed a discriminant analysis with cluster membership as the grouping variable and fit statistic as the independent variable.

Phase 2 of the research obtained and assessed customer satisfaction data from the South African Customer Satisfaction Index (SACsi) measurement. Once suitable industry categories with regard to their SACsi index scores were identified using an independent-sample t-test, a second independent-sample t-test was conducted to compare the multi-year SACsi scores across the industry categories.

Phase 3 measured business strategy and self-reported business performance. Using the coded scale intervals, an EFA was conducted, using principle axis factoring extraction (Costello & Osborne, 2005) to assess the convergent validity of business performance before continuing with the final correlation with customer satisfaction. The internal consistency of the business performance factor was assessed by means of Cronbach’s alpha.

The execution of all three phases enabled the examination of the inter-relationships between business strategy, customer satisfaction and business performance. These relationships were assessed with an independent-samples t-test, a Mann-Whitney U-test and finally a Pearson’s chi-square test.

Sample and data collection

The sample frame included small, medium, large and corporate business leaders in South Africa, irrespective of whether these businesses were included in the SACsi measurement or not. Several large business databases were utilised from which senior executives were selected based on their strategic positions within the business. A non-probability quota sampling approach with regards to the different provinces within
South Africa, as well as the business size was followed. Respondents were screened to ensure that they were part of the senior management of the business and that they were able to answer questions about the strategy of the business. Questionnaires were distributed through web-based electronic surveys.

A total sample of 1,069 business leaders of businesses across South Africa was realised from a database of just over 180,000. Of these, a total of 64 businesses had existing SAcsi data. The sample realised was proportionate to the GDP per province (Statistics South Africa, 2021). Information available about the realised sample indicated that 80% of the respondents were from small and medium sized businesses, while the remaining 20% of the respondents were from large and corporate businesses.

Measurement

The questionnaire for this study included the measurement of business strategies of the respective businesses, as well as their business performance. With SAcsi index scores already available, it was not necessary to include customer satisfaction measurement in the questionnaire.

First, the measurement of business strategy (as independent variable) entailed the adaptation and improvement of the business strategy measurement of Porter’s generic strategies. For this purpose, the process outlined by Worthington and Whittaker (2006), and Jankowicz (2011) was considered. For the scale refinement process, the existing measures of Porter’s generic strategies were reviewed by evaluating current measurement instruments, including the initial measurement by Dess and Davis (1984), and the improvements done by others (Parnell, 1997; Campbell-Hunt, 2000; Allen & Helms, 2006; Salavou, 2010; Nandakumar et al., 2011). The original work of Porter (1980; 1985) was used as a guide to identify areas where existing measurements may be lacking. Next, in-depth interviews were conducted with five experts in academia and business to review the list of strategy items, and to identify additional items that should possibly be added to ensure all generic strategies were represented. Once the input from the experts was consolidated, the measurement instrument was pre-tested amongst small and medium businesses to ensure that an optimal set of strategy statements (from all generic strategies) was present in the measurement instrument. After refinement, the measurement instrument was pre-tested a second time.

Once the statements were finalised, a process commenced to identify how businesses choose and prioritise the generic strategy statements. For this purpose, the best-worst scaling technique was used (Louviere, 1991; Lee, Soutar & Louviere, 2008), where respondents had to choose between the most or least important generic strategy options from a set of statements. With each question, respondents were instructed as follows: “Please select how important the following practices are in pursuit of your business strategy”. Using best-worst scaling, the statements were randomly mixed in groups of five per set for 11 sets. Respondents thus had to choose the “most important” and the “least important” statement from each set of five statements per set, and this
process was repeated 11 times. The best-worst scaling technique was selected because it has proven to yield better performance in various types of analysis, especially discriminant and confirmatory factor analysis (Louviere, 1991) and it tends to show a better fit to the theoretical model under investigation (Lee et al., 2008).

Second, for the measurement of business performance (as the dependent variable), a range of subjective business performance questions was considered and adapted (Dess & Robinson Jr, 1984; Allen & Helms, 2006; Katsikeas et al., 2016). Businesses were asked to rate several business performance indicators on a scale from the “Poorest 1% to 20% of your industry” to the “Top 81% to 100% of your industry”. The business performance indicators rated on this scale included total revenue growth, total asset growth, net income growth, net profit growth, market share growth, and overall performance or success.

Finally, for customer satisfaction measurement (as an independent variable), an objective measurement was possible due to access to SAcsi data. Since 2012, SAcsi is one of the global country partners in the ACSI Global CSI™ together with countries in Europe, Asia, South America, and the Middle East (ACSI, 2022). Annually, SAcsi polls almost 35,000 consumers across nine different sectors to obtain the overall levels of satisfaction of customers, including airlines, banks, clothing retailers, mobile cellular providers, medical schemes, municipalities, life insurers and short-term insurers (Consulta, 2020). For the SAcsi measurement, respondents are contacted from a large database of South African consumers and asked to rate businesses with which they recently interacted. Interviews are done throughout the year using telephone and electronic web-surveys (Consulta, 2020). The SAcsi measurement (similar to ACSI) calculates an overall satisfaction index score that includes expectations, perceived quality and value (as antecedents), and complaints and loyalty (as outcomes) (Anderson & Fornell, 2000).

Result and Discussion

Business strategy results

The review of the current strategy questionnaires and in-depth interviews with experts in academia and business generated an item list consisting of 50 items. The 50 items were tested in a pilot study amongst 553 small to large businesses in South Africa. Through an iterative item-reduction process, the 50 original items were reduced to 17, making it possible to capture businesses’ strategic choices of Porter’s generic strategies. A second pilot study was conducted on the 17 items to verify the clear capture and identification of Porter’s generic strategies amongst a sample of 200 small- to large-sized businesses. Finally, the main business strategy measurement was launched, realising 1,069 completed responses, where a set of nine statements emerged that capture Porter’s generic strategies.
As mentioned before, using best-worst scaling, the Hierarchical Bayes application of multinomial logit analysis (MNL) was used to estimate respondent-level scores for the best-worst rating of the business strategy items. Sawtooth Software SSI Web 8.3.8 was used to calculate Hierarchical Bayes individual level scores. Raw parameters were zero centred to ratio-scaled probabilities ranging from 0 to 100 on an individual score level for easy interpretation.

Once the individual scores were calculated, the Hierarchical Bayes respondent level output was used to conduct an exploratory factor analysis (EFA) to assess the discriminant and construct validity of the scales used in this study. The suitability of the data was assessed with Bartlett’s test of sphericity which was significant (p<0.05) and the realised KMO measure of 0.64 was above the required value of 0.5 (Pallant, 2020). Using Principal Axis Factoring extraction with Varimax rotation and Kaiser normalisation, the analysis identified four factors. Only factor loadings above 0.50 were retained (showing convergent validity) and no cross-loadings between factors was identified (showing discriminant validity) (Hair, Babin, Anderson & Black, 2018).

Table 1 reports the results of the EFA and shows the four factors labelled as ‘narrow focus’ (factor 1), ‘broad focus’ (factor 2), ‘cost leadership’ (factor 3) and ‘differentiation strategy’ (factor 4) – all in line with Porter’s strategies.

Table 1. Rotated Factor Matrix for Porter’s generic strategies measurement

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor 1 Narrow focus</th>
<th>Factor 2 Broad focus</th>
<th>Factor 3 Cost leadership</th>
<th>Factor 4 Differentiation strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targeting a specific market with unique needs</td>
<td>0.96</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Serving a particular target customer very well (narrow range of customer segments)</td>
<td>0.87</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Targeting a broad market</td>
<td>0.89</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offering a broad range of products</td>
<td>0.84</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost management and control (vigorous pursuit of cost reduction and overhead cost control)</td>
<td></td>
<td>0.76</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Focusing on being the lowest cost producer in the industry</td>
<td>0.62</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Driving economies of scale</td>
<td>0.53</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offering unique, differentiated specialty products and service</td>
<td>0.77</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovation in products and services to continuously differentiate from competitors</td>
<td></td>
<td></td>
<td>0.77</td>
<td></td>
</tr>
<tr>
<td>Eigenvalue</td>
<td>3.4</td>
<td>1.7</td>
<td>1.4</td>
<td>1.0</td>
</tr>
<tr>
<td>Cumulative percentage of variance explained</td>
<td>21.6</td>
<td>39.7</td>
<td>55.8</td>
<td>70.8</td>
</tr>
<tr>
<td>Spearman-Brown or Cronbach’s alpha coefficient</td>
<td>0.9</td>
<td>0.9</td>
<td>0.7</td>
<td>0.8</td>
</tr>
</tbody>
</table>

According to the results of the EFA and reliability coefficient values, the conclusion can be reached that the factors measuring business leaders’ strategic choices according to Porter’s generic strategies are valid and reliable; and fulfil the first secondary research objective (RO1a) of this study.
The last step in the measurement of business strategy was to establish two groups of businesses: one group that follows a strategy consistently (any of Porter’s strategies), and a second group that is inconsistent and does not follow any specific strategy, thus those ‘stuck-in-the-middle’. For this purpose, the fit statistic calculated in the best-worst scaling Hierarchical Bayes application was used as input to determine the two clusters by means of K-means clustering. To assure the meaningfulness and usefulness of these two clusters, a one-way ANOVA relating the cluster membership to the fit statistic proved to be a strong validator of the homogeneity-within-and-difference-between criterion with $p \leq 0.01$. Furthermore, a discriminant analysis was conducted with cluster membership as the grouping variable and fit statistic as the independent variable. The discriminant analysis revealed that 97.9 percent of the respondents were correctly classified, providing further confidence in the two-cluster solution. The first cluster, labelled the ‘inconsistent strategy’ group, consisted of 450 members, with a poor fit statistic mean of 0.38. The second cluster, labelled the ‘consistent strategy’ group, consisted of 619 members with a high fit statistic mean of 0.58. Importantly, of the 64 respondents for which there are business strategy results as well as SAcsi customer satisfaction results, 40 (63%) respondents fall in the consistent strategy group, while 24 (38%) fall in the inconsistent strategy group.

**Customer satisfaction results**

For the customer satisfaction measurement, permission was obtained to use the SAcsi data. Owing to the low realisation of only 64 respondents with existing SAcsi data, a decision was made to condense the SAcsi data into subgroups of satisfaction to ensure that the correlation between customer satisfaction and business performance planned for the final analysis could be fulfilled. For this purpose, two categories were created: on par and above expected customer satisfaction levels versus those below expected customer satisfaction levels. Thereafter, a multi-year SAcsi score was calculated for each category.

Once the two customer satisfaction subgroups were determined, an independent-samples t-test was performed to compare the multi-year SAcsi score of the two SAcsi categories. The result indicated a statistically significant difference in scores for the across-year SAcsi on par and above customer satisfaction levels ($N = 40$, $M = 77$, $SD = 2.89$) and below expected customer satisfaction levels ($N = 24$, $M = 72$, $SD = 4.14$; $t = 5.13$; $df = 62$; $p = 0.000$, two-tailed). The effect size, calculated using eta squared, was 0.3, which indicates a large effect size (Pallant, 2020).

**Business performance results**

The scale used to rate business performance was coded to a score of 0 to 100, where ‘Poorest 1% to 20% of your industry’ denotes 0, and the ‘Top 81% to 100% of your industry’ denotes 100. Using the coded scale intervals, an EFA was conducted, using
Principal Axis Factoring extraction to assess the convergent validity of business performance before continuing with the final correlation with customer satisfaction. The results revealed one factor, explaining 70% of the variance. All the business performance items loaded higher than 0.50 on the business performance factor, showing convergent validity. The internal consistency of the business performance factor was assessed by means of Cronbach’s alpha and showed a reliability coefficient of 0.9.

**Link between business strategy and business performance; and customer satisfaction and business performance**

An independent-samples t-test was conducted between the inconsistent strategy group and consistent strategy group as the independent variables to assess the business performance (dependent variable) for each group. Table 2 provides the output of the independent-samples t-test.

**Table 2. Difference in business performance between inconsistent strategy group and consistent strategy group**

<table>
<thead>
<tr>
<th>Business performance</th>
<th>Mean</th>
<th>Std Deviation</th>
<th>F</th>
<th>p-value</th>
<th>Effect size (Eta squared)</th>
<th>Effect size (Cohen’s d)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Inconsistent strategy</td>
<td>Consistent strategy</td>
<td>Inconsistent strategy</td>
<td>Consistent strategy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall average performance</td>
<td>50.0</td>
<td>54.5</td>
<td>29.0</td>
<td>27.6</td>
<td>2.65</td>
<td>0.01</td>
</tr>
<tr>
<td>Total revenue growth</td>
<td>53.9</td>
<td>57.6</td>
<td>29.0</td>
<td>27.6</td>
<td>3.75</td>
<td>0.05</td>
</tr>
<tr>
<td>Total asset growth</td>
<td>47.9</td>
<td>52.1</td>
<td>30.3</td>
<td>28.4</td>
<td>4.51</td>
<td>0.03</td>
</tr>
<tr>
<td>Net income growth</td>
<td>51.6</td>
<td>56.7</td>
<td>27.5</td>
<td>25.4</td>
<td>8.50</td>
<td>0.00</td>
</tr>
<tr>
<td>Net profit growth</td>
<td>49.2</td>
<td>55.0</td>
<td>28.3</td>
<td>26.6</td>
<td>10.0</td>
<td>0.00</td>
</tr>
<tr>
<td>Market share growth</td>
<td>47.6</td>
<td>51.2</td>
<td>30.1</td>
<td>29.8</td>
<td>3.06</td>
<td>0.08</td>
</tr>
<tr>
<td>Overall performance / success</td>
<td>63.5</td>
<td>69.8</td>
<td>26.4</td>
<td>25.8</td>
<td>1.17</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Note: *Significance level (p-value) is based on independent-samples t-test.*
The results in Table 2 show that businesses with an inconsistent strategy and those with a consistent strategy yield significant differences in terms of business performance. From Cohen’s $d$ and Eta squared effect sizes, the overall average performance, net income growth, net profit growth and overall performance/success fall between small and moderate effect sizes (Pallant, 2020). The results of the independent samples $t$-test support the second research objective (RO1b) by confirming the relationship between business strategy and business performance.

An independent-samples $t$-test was conducted of the on par and above customer satisfaction group and the below expected customer satisfaction levels group as the independent variables to assess the business performance (dependent variable) for each group. Table 3 outlines the results of the independent samples $t$-test. Owing to the small sample size of 64, the Mann-Whitney U-test was added, of which the results identified the same outcomes of significance. The results of the independent-samples $t$-test support the third research objective (RO1c) by confirming the relationship between customer satisfaction and business performance.

Table 3. Difference in business performance between SAcsi on par/above group and SAcsi below par group

<table>
<thead>
<tr>
<th>Business performance</th>
<th>Mean On/above par</th>
<th>Std Deviation On/above par</th>
<th>$F$</th>
<th>p-value*</th>
<th>Mann Whitney U test</th>
<th>Effect size (Eta squared)</th>
<th>Effect size (Cohen’s $d$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall average performance</td>
<td>75.0</td>
<td>22.5</td>
<td>0.17</td>
<td>0.03</td>
<td>0.02</td>
<td>0.83</td>
<td>0.6</td>
</tr>
<tr>
<td>Total revenue growth</td>
<td>77.9</td>
<td>27.0</td>
<td>0.40</td>
<td>0.20</td>
<td>0.11</td>
<td>0.031</td>
<td>0.4</td>
</tr>
<tr>
<td>Total asset growth</td>
<td>80.6</td>
<td>23.9</td>
<td>0.12</td>
<td>0.19</td>
<td>0.18</td>
<td>0.038</td>
<td>0.4</td>
</tr>
<tr>
<td>Net income growth</td>
<td>76.4</td>
<td>25.0</td>
<td>0.32</td>
<td>0.12</td>
<td>0.12</td>
<td>0.045</td>
<td>0.4</td>
</tr>
<tr>
<td>Net profit growth</td>
<td>74.3</td>
<td>26.1</td>
<td>0.10</td>
<td>0.08</td>
<td>0.06</td>
<td>0.056</td>
<td>0.5</td>
</tr>
<tr>
<td>Market share growth</td>
<td>68.9</td>
<td>24.6</td>
<td>0.29</td>
<td>0.02</td>
<td>0.03</td>
<td>0.090</td>
<td>0.6</td>
</tr>
<tr>
<td>Overall performance / success</td>
<td>84.2</td>
<td>16.9</td>
<td>2.55</td>
<td>0.00</td>
<td>0.00</td>
<td>0.260</td>
<td>1.2</td>
</tr>
</tbody>
</table>

Note: *Significance level ($p$-value) is based on independent-samples $t$-test
Link between business strategy and customer satisfaction

There are two sets of categorical classifications for the evaluation of the relationship between business strategy and levels of customer satisfaction, as shown in *Error! Reference source not found.*4.

Table 4. Business strategy and customer satisfaction categorical classification

<table>
<thead>
<tr>
<th>Business strategy</th>
<th>SAcsi On/above par with industry</th>
<th>SAcsi Below par with industry</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inconsistent strategy</td>
<td>11</td>
<td>13</td>
<td>24</td>
</tr>
<tr>
<td>Consistent strategy</td>
<td>29</td>
<td>11</td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>24</td>
<td>64</td>
</tr>
</tbody>
</table>

A Pearson’s chi-square test for independence was performed to examine the relationship between the categorical variables for business strategy and customer satisfaction. The results indicated a significant association between business strategy and customer satisfaction, $\chi^2(1, n=64) = 4.55, p=0.033$, phi=0.3 with phi indicating a moderate effect size coefficient (*Pallant, 2020*). The conclusion is that there is a relationship between the consistency with which businesses make choices about Porter’s generic strategies and customer satisfaction, which answers the primary research question (RO1).

**Discussion and managerial implications**

This study was able to develop an adapted measurement of Porter’s generic strategies (cost leadership, differentiation, broad/narrow focus) following a questionnaire refinement process. This makes a valuable contribution to the measurement of Porter’s generic strategies.

Staying true to Porter’s generic strategy paradigm, the results showed that there are statistically significant differences between the performance of businesses that consistently prioritise Porter’s generic strategies and those that are inconsistent in choosing Porter’s generic strategies. Similarly, the results indicate that relative industry performance on customer satisfaction (below industry par versus on or above industry par) also differ significantly in business performance. Business strategy indicated a statistically significant difference with small to moderate effect sizes for overall average performance, net income growth, net profit growth and overall performance/success. Customer satisfaction showed statistical differences with
moderate effect sizes for overall average performance, market share growth and overall performance/success. According to Porter (1985), the findings that business strategy differentiates businesses on net income and net profit are expected. However, the findings showing customer satisfaction separating businesses in terms of market share growth are contrary to expectation. Nevertheless, both business strategy and customer satisfaction categories differentiate businesses on overall performance/success.

Although the effect of the differences between business strategy and customer satisfaction groups are between small to moderate, this is not unexpected due to the complex nature of linking business strategy and marketing activities, such as customer satisfaction to business performance outcomes (Dess & Robinson Jr, 1984; Fornell et al., 2016; Katsikeas et al., 2016; Sorescu & Sorescu, 2016; Otto, Szymanski & Varadarajan, 2020). The findings confirm the complex nature of trying to link business performance outcomes to business strategy and customer satisfaction, but are indicative and supportive of the underlying impact that business strategy and customer satisfaction has on business performance. It is suspected that these small to moderate effect sizes of a single measure in time might be compounded into larger differences if measured over longer periods (Fornell et al., 2016).

Lastly, the findings show a dependence between consistently choosing one of Porter’s generic strategies and relative industry performance in customer satisfaction. Most importantly, business strategy and customer satisfaction share an association with each other that practitioners cannot ignore if they aspire to improved business performance. These results show conclusively that the clarity of a business’ purpose, through consistently prioritising Porter’s generic strategies, succeeds in satisfying customers.

From a business strategy management perspective, the implications for businesses are that if they seek business performance, they should deliberately prioritise cost leadership or differentiation or focus (broad or narrow); thus, this simple truth from Porter stands today. Also, businesses that want to improve customer satisfaction cannot ignore the consistency with which they prioritise the strategy of their business in line with Porter’s generic strategies. Thus, customer satisfaction management aligns with a clear business strategy. Finally, neither business strategy consistency nor customer satisfaction improvement is a goal in itself. The findings prove that the understanding and clever management of business strategy and customer satisfaction are aligned with superior business performance in comparison to industry competitors.

Conclusion
The purpose of this study was to investigate the inter-connected relationships of business strategy, customer satisfaction and business performance. Findings revealed a conclusive link between having a clear business strategy and high levels of customer satisfaction, and that both business strategy and customer satisfaction differentiates businesses in terms of their overall performance. This study was able to develop an adapted measurement of Porter’s three generic strategies with cost leadership, differentiation, broad focus and narrow focus dimensions following a questionnaire adaption process. This makes a strong contribution to the measurement of Porter’s three generic strategies. The clarity of a business’s purpose, through consistently prioritising one of Porter’s generic strategies, thus succeeds in satisfying customers, and is an important consideration for those businesses who want to improve superior business performance versus that of their industry competitors. Furthermore, the findings provide clear contributions to the study of business strategy and make an important empirical contribution to the established theoretical paradigm of Porter’s three generic strategies.

Although encouraging findings were revealed, inter-relationships between different business activities and these activities’ relative contribution to business performance will require longitudinal data over a large spectrum of business activities and performance outcomes. There is also a conceptual logical possibility that market orientation is an important dimension that could be added to the understanding of the relationship with business strategy, customer satisfaction and business performance. This was not in the scope of this study, but could be an important addition to the operationalisation of these fields of study.

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References


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