Master Thesis

The Impact of Strategic Orientation Choice Towards Market Capitalization Growth:

A Study on Indonesia's LQ45 Index Firms

Radboud University

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1. Introduction

1.1. Background

One of the most common ways to measure firm performance is by looking through their financial performance. Firm financial performance can be defined as the indicator of the current and potential future growth of an organization (Le Thi Kim et al., 2021). This is in line with the main purpose of a corporation which focuses on value creation that will result in profitability and also shareholders' return (Alsoboa, 2017). Specifically for the shareholders' return, two types of return that are attributed to shareholders are dividends and capital gain (Suhadak et al., 2019) which can also be called stock return. Stock return can be explained as a gain that is obtained after holding the stock for a certain period and it can be considered as one way for the shareholders to analyse firms' performance which depends on the increase or decrease of the stock price compared to the previous period (Robu et al., 2014). It means that stock price is important for both shareholders and firms.

However, rather than directly using the concept of stock price as an indicator, this study proposes the use of market capitalization due to its important ability of determining the return of investors (Skamo, 2012). Market capitalization is the result of the multiplication between shares outstanding and stock prices (Brueckner et al., 2023) and it is an important factor related to the value of a firm that is traded in the stock market and needs to be considered by investors before making investment decisions (Widiatmoko et al., 2020). Therefore, compared to the direct use of stock price, the utilisation of market capitalization as a variable might provide a broader understanding regarding return to shareholders. Market capitalization matters because firms with more capital will be able to survive when there is a major shock in the economy (Brueckner et al., 2023). Previous research also shows that market capitalization is an indicator of a firm's size (William, 2022) and firm size can represent its financial strength (Permata & Alkaf, 2020) which is a result of performance. Generally, larger firms have benefits such as the ability to secure funding sources and also more exposure from the industry (William, 2022). Based on the explanation, more research on the area of market capitalization is required, especially on factors that affect it.

On the other hand, strategic orientation has been dubbed as the required perspective of firm performance ("Strategic Orientation: The Lens Needed for Firm Performance," 2023). Strategic orientation itself can be defined as 'principles that direct

and influence the activities of a firm and generate the behaviours intended to ensure its viability and performance' (Hakala, 2011). The strategic orientation of firms can be depicted by how they invest in the exploration and exploitation of resources activities (Mishra, 2023). The emphasis on the importance of strategic orientation towards performance was also consistently mentioned in another research which stated that strategic orientation eventually leads to one final purpose which is superior firm performance (Weinzimmer et al., 2012).

There are several variations of strategic orientation dimensions or classifications that were offered by academia such as the three major strategic orientations of customer, competitor, and technological orientations that offer perspective on what type of strategic orientation and focuses should be taken based on aspects such as market growth and demand uncertainty (Gatignon & Xuereb, 1997). Then there is the strategic orientation of business enterprise (STROBE) which is defined as a strategic orientation in the form of 29 indicators based on six dimensions which are aggressiveness, analysis, defensiveness, futurity, proactiveness, and riskiness (Venkatraman, 1989). Another type of strategic orientation definition is based on strategic typology classification by Miles and Snow which then classified into four types of strategic orientations called the prospector, analyser, defender, and reactor (Miles et al., 1978). Based on previous research conducted by Weinzimmer et al. (2012) the strategic orientation conceptualization based on the strategic typology of Miles and Snow can be considered the most frequently used approach by researchers.

One thing that needs to be taken into account is that strategic orientation has its significance towards firms' competitive advantage. An accurate choice of strategic orientation can lead to an enhanced competitive advantage through rational resource allotment (W. Han et al., 2022). Obtaining enhanced competitive advantages is important for firms because competitive advantage is a highly pertinent driver of stock market return (Gjerde et al., 2010). This leads to the importance of researching the relationship between strategic orientation and market capitalization as the indicator of return. Previous research provides a hint that some practitioners who prefer maximization of stock value, are likely to appreciate one type of strategic orientation over the others (Bhattacharya et al., 2019). Due to that importance, there is a significant need to conduct more research so that the impact of strategic orientation on return can be better understood (Bhattacharya et al., 2019).

To summarize, every investment is driven by the expectation to get a return (Suhadak et al., 2019) and market capitalization can represent it due to its ability as a measure to determine return of the investors (Skamo, 2012). On the other hand, the relationship between strategic orientation and return still needs to be further researched since it is believed that a certain type of strategic orientation will result to a more maximized return in the form of stock value (Bhattacharya et al., 2019). By following these logics, it is important to research the impact of strategic orientation choice toward market capitalization growth.

1.2. Motivation and Gap

The explanation provided in the background sub-chapter provided the underlying reason that shows a necessity for a further study on the topic of relation between strategic orientation and market capitalization growth. Previous research focuses more on the relationship between strategic orientation and performance (Weinzimmer et al., 2012; Yeung et al., 2006; Paladino, 2009; Ramaswamy et al., 1994; Handoyo et al., 2023) but not directly towards market capitalization growth. The relationship between the concept of strategic orientation and market capitalization is not uncharted, but it requires further studies that respond to the need of further examination regarding the relationship between strategic orientation and return (Bhattacharya et al., 2019). It can provide an important insight into how should companies set their strategic orientation to obtain higher market capitalization. Firms can obtain further understanding on how different types of strategic orientation might affect market capitalization growth.

Based on the concepts of each variable, strategic orientation in itself is about choosing preference on what kind of strategies or approach to be used to achieve the goal of the organization (Handoyo et al., 2023), while market capitalization is the underlying of how companies are being perceived and it also closely related to the maximization of shareholder return which can be considered as the main goal of a company (Saleh & Alarussi, 2023). Thus, it can be concluded that different choices of strategic orientation might provide different results toward the stock return for the shareholder, which in this case represented by market capitalization growth.

The choice of using Indonesia's companies is based on the fact that the latest research regarding strategic orientation that uses Indonesia's companies as the sample has also shown less emphasis on its impact on market capitalization. Some of them

focused more on the relationship between strategic orientation and internal financial ratios (Handoyo et al., 2023; Iqbal et al., 2023; Syahdan et al., 2020) and some other research used private firms or small and medium businesses as the samples (Laelatul Qodriah et al., 2021; Widjaja & Sugiarto, 2022), which make the market capitalization value cannot be determined by using stock prices. This shows further importance of conducting the study to understand the relationship between strategic orientation choice and its impact on market capitalization growth using Indonesia's listed companies as the sample.

1.3. Research Objective and Research Question

The objective of this study is to shed light on the relationship between the concept of strategic orientation and market capitalization growth in Indonesia-listed companies. This study would like to provide an academic examination for firms by determining what kind of influences are brought by different choices of strategic orientation towards market capitalization growth.

By conducting this research, firms can better decide what type of strategic orientation they are going to choose. This leads to the following research question:

What is the impact of different strategic orientation choices on market capitalization growth?

The following sub-questions will become the guideline to answer the research question of this study:

a. What is strategic orientation?
b. What is market capitalization growth?
c. What is the impact of different strategic orientations towards market capitalization growth?

1.4. Theoretical and Practical Relevance

From a theoretical standpoint, this study is relevant due to the limited research that has been done on examining the direct relationship between the concept of strategic orientation and market capitalization. As previously stated, most of the research related to strategic orientation is linked to internal financial ratios

(Weinzimmer et al., 2012; Yeung et al., 2006; Paladino, 2009; Ramaswamy et al., 1994; Handoyo et al., 2023). As mentioned in the background sub-chapter, more research regarding the impact of strategic orientation towards return (Bhattacharya et al., 2019), which in this study is represented by market capitalization growth, is needed. Thus, this study will contribute to the research area of strategic orientation and businesses in general, which is then expected to result in a contribution towards strategic management literature from the perspective of Indonesia-listed companies.

From a practical standpoint, this study will also contribute insight in the form of providing an analysis result of the relationship between strategic orientation and market capitalization for managers. Another provided insight is how to measure company strategic orientation using Miles and Snow strategic typology (Miles et al., 1978) and then determine whether firms need to change their strategic orientation so that they can achieve higher market capitalization. The goal of this study is to help determine which strategic orientation results in higher market capitalization growth for firms.

1.5. Structure

This study will be structured in a five-chapter format. In the following chapter, the theoretical framework that will be used in this study will be further explained as a part of chapter two. In chapter three, the research methodology will be further discussed. In chapter four, the result of the analysis will be presented and finally, in chapter five, the conclusion will be drawn, and everything from the implications, findings, and recommendations for future research will be addressed.

2. Theoretical Framework

This study has the main goal of providing insight into the relationship between strategic orientation and market capitalization growth. The more practical insight is the finding of a specific type of strategic orientation that results in a higher market capitalization. Therefore, the key concepts that are being used in this study will be further explained. The theoretical background that will be given in this chapter will focus on the concept of strategic orientation, and market capitalization.

2.1. Strategic Orientation

One of the most commonly used definitions of strategic orientation explains that strategic orientation is the 'principles that direct and influence the activities of a firm and generate the behaviors intended to ensure its viability and performance' (Hakala, 2011). Other research came up with a similar definition of strategic orientation as a strategic direction performed by firms to set up required conduct that aims for sustained superior business performance which eventually leads to a competitive advantage over other firms (Purity Uzoamaka et al., 2020). Many researchers have conducted studies regarding the topic of strategic orientation and these studies are based on several dimensions such as aggressiveness, analysis, defensiveness, futurity, proactiveness and riskiness (Venkatraman, 1989). These six dimensions are also used to measure the relationship between strategic orientation and business performance (Morgan & Strong, 2003).

There is also another group that uses different classifications such as customer orientation, competitor orientation, and technological orientation (Gatignon & Xuereb, 1997). Customer orientation and competitor orientation originally came from different orientations called market orientation which can be defined as one concept that consists of three behavioral components of customer orientation, competitor orientation, and inter-functional coordination, and also two decision criteria which are long-term focus and profit (Narver & Slater, 1990). Customer orientation if put in the context of a firm, can be defined as a firm that has the capability and willingness to identify, analyze, understand, and respond to user demands (Gatignon & Xuereb, 1997), while competitor orientation focuses on the decision making with main consideration to perform better than competitors (Armstrong & Collopy, 1996). Technological orientation can be defined as focuses directed to obtain substantial technology and utilising it to support the new product development process (Gatignon & Xuereb, 1997)

Another research also uses a different type of strategic orientation such as supply-base orientation, an orientation that emphasises the importance of coordinating and synchronizing activities within a network of suppliers to create a condition that promotes collaboration (Ziggers & Henseler, 2016) and entrepreneurial orientation that can be described as "processes, practices, and decision-making activities that lead to new entry" while new entry itself refers to an act of initiation, that is done by individual, a small firm, or a strategic business unit of a large corporation (Lumpkin & Dess, 1996).

As just described, there are many types of strategic orientation, but one of the most widely used strategic orientation concepts is the one offered by Miles and Snow (Weinzimmer et al., 2012) which is called strategic typology (Miles et al., 1978). The popularity can be seen from the direct utilisation of its original strategic typology which consists of four strategic orientations concept in another research (Conant et al., 1990; Zahra & Pearce II, 1990) or excluding one of the typologies (the reactor strategic orientation) and then using the initial three strategic orientations of Miles and Snow (Aragón-Sánchez & Sánchez-Marín, 2005). There is also another form of adaptation of the strategic typology concept to a more focused defender & prospector strategic orientation (Thomas & Ramaswamy, 1996; O'Regan & Ghobadian, 2005; Laforet, 2008) and the modified classification of proactive and defensive strategic orientations (Woolley, 2009; Handoyo et al., 2023).

Besides its popularity in the area of strategic management research, the choice of using the strategic orientation concept offered by Miles and Snow is because, since its publication, the strategic typology based-strategic orientation has had a significant effect in the field of strategic management and organizational theory (Hambrick, 2003). The key dimension of Miles and Snow's strategic orientation is focused on the response to a changing organization's environment (Gurkov & Obel, 2012). Miles and Snow's strategic orientation has the advantage of its emphasis on three main domains which are entrepreneurial (product-market decision), engineering (production and delivery), and administrative (structure, roles, and policies) (Kabanoff & Brown, 2008) that cover the dimension of other strategic orientation concepts. The broadly embraced typology-based strategic orientation has always had important implications for academia and professionals due to its ability to represent the prevalent approach to business strategy (Sollosy, 2013). Due to these reasons, Miles and Snow's strategic orientation concept will be adopted as the approach for this study.

From the conceptual perspective of strategic typology, strategic orientation was originally classified into 4 categories which are defender, analyser, prospector, and reactor (Miles et al., 1978). These four strategic typologies could then be further classified into proactive strategic orientation (prospector & analyser) and defensive strategic orientation (defender & reactor) (Handoyo et al., 2023). Since proactive strategic orientation represents prospector and analyser strategic typologies, it shares their characteristics as well. Prospector strategic typology has the characteristics of proactiveness in finding and exploiting a new opportunity in the market and also developing new products, which means that it can be considered an innovator in the market (Miles et al., 1978). While analyser strategic typology focuses more on managing risk and profit maximization, which then, in terms of approach can defined as a balanced company (Miles et al., 1978).

Defensive strategic orientation that represents defender and reactor typologies also share the characteristics as well, that its characteristics focus on differentiation and cost leadership came from the defender strategic typology, while it is being a company that 'stuck in the middle' of competition came from the reactor strategic typology (Segev, 1989). The defensive strategic orientation, referring to the defender strategic typology, tends to follow behaviour such as competitive pricing and high-quality products but is rather reluctant to follow new developments and trends outside of their current area, which makes this strategic typology operates in a very niche market but well-exploited (Miles et al., 1978).

Proactive strategic orientation emphasises extensive resource spending on research and development (R&D), promotion, and investment of fixed assets such as property and equipment, while it is the other way around for defensive strategic orientation, in which it tends to be low on resources spending for R&D, promotion and fixed assets (Handoyo et al., 2023). The choice of this approach based on Miles & Snow strategic typologies is based on the fact that it has been used over time by many researchers as the common approach to strategic orientation (Weinzimmer et al., 2012). On the other hand, the approach to combine four strategic typologies into 2 types of strategic orientation called proactive and defensive strategic orientations (Handoyo et al., 2023) allowed the focus to be emphasised on resource allocation and specific distinction into two types of strategic orientation.

Therefore, the focus of this study will be to examine the different impacts of proactive and defensive strategic orientations toward the growth of market capitalization as the dependent variable.

2.2. Market Capitalization Growth

Market capitalization is one of the indicators that is commonly used for business valuation and it represents the total value of a company or its stocks (Shrimal & Prasad, 2014). Market capitalization itself can be explained as the result of the multiplication between shares outstanding and the stock prices (Brueckner et al., 2023). Previous research shows that market capitalization is synonymous with the overall value of a firm (Widiatmoko et al., 2020), which means that it is an important factor to be considered for strategic management decisions such as mergers, acquisitions and takeovers due to the emphasis on the value of a company (Shrimal & Prasad, 2014). Besides total value, market capitalization also can represent a company's size (William, 2022). Considering all the explanations above, the definition of market capitalization as the total value of a company being traded in the stock market, which is then calculated as a multiplication between the shares amount and the present stock price (Zaigham et al., 2019) should be accurate.

Market capitalization also acts as an important reflection regarding the level of development of companies, with large-cap companies considered more cautious companies compared to small-cap or mid-cap companies (William, 2022). Due to its importance, market capitalization is also used as the point of reference for diversifying investment portfolios (William, 2022). Market capitalization in itself also can increase in size due to 2 aspects: quantities and prices (Kuvshinov & Zimmermann, 2022), which means that aspects such as equity issuance and stock price movement will affect the market capitalization of a firm. Companies should aim to become largely capitalized companies due to several benefits of becoming one. First, despite growing more steadily, large-cap companies are exposed to a lower-level risk compared to small-cap companies (Dinh, 2023). Being large companies will also bring out the ability to secure financing from either banks or by issuing corporate bonds (William, 2022) which is important to finance the further growth of the company.

One study also showed that market capitalization matters because firms with more capital will be able to survive when there is a major shock in the economy (Brueckner et al., 2023) in other words, more stability. And not only stability, during

major economic shocks for example COVID-19 breakout, large companies gain positive abnormal returns instead of small companies (Harjoto et al., 2021). Lastly, large-cap companies have the probability to gain a competitive advantage due to their size such as economies of scale and also massive recognition of their brand (William, 2022). To become a large company, the market capitalization needs to keep growing and that shows the importance of finding a certain type of strategic orientation that will result in higher growth of market capitalization. And most importantly, market capitalization is a measure that can be used to determine the return for investors (Skamo, 2012).

2.3. Relationship of Strategic Orientation and Market Capitalization Growth

Following the explanations regarding the concept of both strategic orientation and market capitalization, this sub-chapter will provide further explanation of the construct of the relationship between strategic orientation and market capitalization growth. Since the strategic orientation that is used in this study is a modified version of Miles and Snow typology strategies (Handoyo et al., 2023), there will be two strategic orientations: proactive strategic orientation and defensive strategic orientation. Both types of strategic orientation will be directly measured against the market capitalization growth to see which type of strategic orientation is positively influencing market capitalization growth. Therefore, this study will focus on examining that relationship with the following hypotheses:

- Hypothesis 1: Proactive strategic orientation positively influences market capitalization growth.
- Hypothesis 2: Defensive strategic orientation negatively influences market capitalization growth.

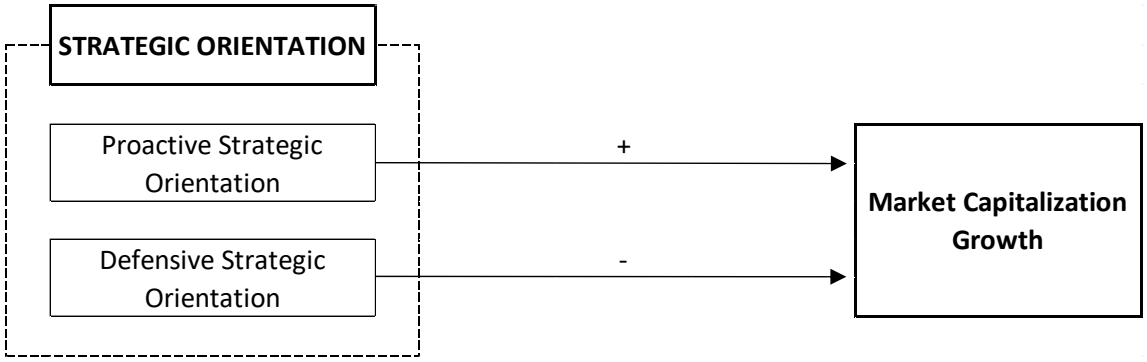

Figure 1. Conceptual Model

3. Methodology

In this chapter, the methodology of this research will be further explained. This chapter will be explained through several sub-chapters which are the research approach, data collection method, operationalization of the variables, data analysis tool, explanation of the research quality, and research ethics.

3.1. Research Approach

This research has a final goal of contributing towards the strategic orientation field of research, specifically around its relationship with market capitalization. The research approach that will be used in this study is the confirmatory research approach. The confirmatory research approach itself focuses on examining hypotheses that are derived from existing theories or previous studies around a similar topic and are expected to have a specific result or outcomes that are based on the underlying theory (Hair et al., 2018). Since the hypotheses in chapter two of this study were derived from established theories of strategic orientation and market capitalization, the confirmatory research approach matches the requirement for this study.

To examine the relationship between strategic orientation and market capitalization, a research method has to be defined. For this study, the research methodology that will be used is the quantitative research method which can be defined as the gathering process and analysis of numerical data to respond to or answer the science-based research questions (Rana et al., 2021). The quantitative research method focuses on several techniques and tools such as empirical examination, measurement, hypothesis testing, etc. (Kwadwo Antwi & Hamza, 2015).

Quantitative research methodology also mainly uses the confirmatory research approach due to the emphasis on hypothesis or theory testing (Kwadwo Antwi & Hamza, 2015). Therefore, since this study's purpose is to test the hypotheses that have been developed between strategic orientation and market capitalization growth, the study will be conducted in a confirmatory quantitative research method. This is backed by the quantitative method's ability to examine the variable based on samples and explain the relationship between variables based on statistics analysis (Kwadwo Antwi & Hamza, 2015).

3.2. Data Collection Method

As previously mentioned, quantitative research methodology uses several techniques and tools such as empirical examination and measurement (Kwadwo Antwi

& Hamza, 2015), which means that data collection needs to be done before the relationship can be examined. The data collection for this research is mainly done by utilising an online database from LSEG Workspace/Refinitiv and other publicly available data. These data can be considered as a data from secondary sources since it is compiled from public sector records (Taherdoost, 2021) which represent the data of publicly listed companies. Therefore, this type of data needs to be reviewed first in terms of its reliability to ensure the authenticity of the result (Taherdoost, 2021).

3.3. Population, Sample, and Data

The research population can be described as one group of all units where the research findings are to be applied and the sample is a certain part of the population that is used in the research (Satishprakash, 2020). This means that for this study, the population is all firms that are listed on the Indonesia Stock Exchange (IDX). On the other hand, the LQ45 Index is an index that is part of IDX, which is known to host the most liquid companies and holds several indicators such as largest capitalization, massive transaction value, and future growth opportunity (Malini, 2019). As an index, the LQ45 Index mentions the fluctuation of stock prices at a certain time and also acts as an alternative index to the Jakarta Composite Index (JCI) (Solihin et al., 2022) which hosted all companies in IDX. The criteria of the LQ45 Index are also regularly evaluated and updated so that the standard can be maintained (Malini, 2019) and due to this evaluation, members of the index changed quite often. The LQ45 Index becomes an interesting sample since it is a leading stock in Indonesia, that is actively traded and is relatively in demand by investors (Gabrilia et al., 2022) and for a particular reason of representativeness, LQ45 Index is also chosen as the sample because it represents 70% of the whole stock market capitalization and also transaction value in IDX (Setiadi & Masdupi, 2020).

However, considering that members of the LQ45 Index are always changing, further sampling criteria need to be determined. Following the previous research work by Handoyo et al. (2023) that picked state-owned enterprises (SOEs) that were consecutively listed in the IDX during the period of observation, this study will adopt a similar approach of purposive sampling method with criteria as follows: companies that are included as part of the LQ45 Index during the observation years. The usage of the purposive sampling method is based on its utilisation in most research papers, its applicability to any research model, and its ability to ensure quality sample can be

located without biases, which then increases the reliability and trustworthiness of the research findings (Nyimbili & Nyimbili, 2024)

Following the construct that has been explained above, the detailed description is presented in the following table:

Table 1. Description of Population and Sample

Sample and Data	Description	Total Number
Sample of study	Companies that are listed on the LQ45 Index during the observation period of 2015-2019	63
Dataset for the analysis	Panel data consist of sixty-three companies and within five observation years	N = 63 Year = 5

The choice of Indonesia's companies as the object of the study is based on several reasons. From the economic perspective, Indonesia booked an annual GDP growth of 5.05% in 2023. This number is one of the highest GDP growth rates among the members of G20 countries, with only India and China being above Indonesia (OECD, 2024). The growth is mainly driven by domestic consumption and then followed by investment, and exports (Mapa, 2023). This is also backed by the fact that Indonesia is currently the fourth most populous country in the world and ranked as the sixteenth largest economy (The World Bank, 2023).

Despite being a large economy, Indonesia ranked third as the breakout country in terms of rapid digitalization (Chakravorti et al., 2020). The impact of rapid digitalization can be seen from the fact that Indonesia held the highest number of (mostly tech-based) startup companies that can be classified as unicorns among Southeast Asia countries, despite having a low FDI per capita ratio (Wirjawan, 2023). These factors become the reason why Indonesia is an attractive market to be further researched. Specifically for the reason of using LQ45 Index as the sample, it is because of its ability to give a general perspective about Indonesia's capital market since LQ45 Index represents 70% stock market capitalization of the whole IDX (Setiadi & Masdupi, 2020).

3.4. Operationalization of the Variables

3.4.1. Strategic Orientation

The strategic orientation variable will need to be measured and classified first before the relationship with market capitalization growth can be

examined. This study follows the modified strategic orientation classification based on Miles and Snow that will classify strategic orientation into two types which are proactive strategic orientation and defensive strategic orientation (Handoyo et al., 2023). Therefore, this study will use the previous work by Handoyo et al. et al. (2023) that was based on several previous research from Ittner et al. (1997), Bentley et al. (2013), and Higgins et al. (2015), called the strategy composite measure that consists of the following indicators:

- Research and development to sales ratio
- Marketing expenditure to sales
- Employment to sales
- Market-to-book ratio
- Property and equipment to total assets (capital intensity)

According to Handoyo et al. (2023), each company will then be ranked based on quintiles and then given a score of five for the first top quintile, four for the second top quintile and so on. Here is the table to simulate the construct of the measurement:

Table 2. Simulation of Strategic Orientation Composite Measurement

Year -->	2015						2016						2017						2018						2019					
Indicator -->	1	2	3	4	5	Total	1	2	3	4	5	Total	1	2	3	4	5	Total	1	2	3	4	5	Total	1	2	3	4	5	Total
Company A																														
Company B																														
Company C																														
.																														
.																														

Based on this table each company will get 25 as the maximum score and five as the minimum score, if all indicators maintained. Based on Handoyo et al. (2023), then each company per year can be assigned to a certain strategic orientation type, with being scored between five to 10 classify as a defensive strategic oriented company and score between 11 to 25 classify as a proactive strategic oriented company, following the definition provided in chapter two of this study. But, since there is an omission of one indicator, the maximum score will be 20, with being scored between four to eight classify as a defensive strategic oriented company and score between nine to 20 classify as a proactive strategic oriented company. Thus, considering that there are 63 companies and the observation period of five years, the study will get a data set that consist of

315 choices of strategic orientation. The result of the measurement will come in the form of binary cluster in which represented in a nominal type data of one (1) as defensive strategic orientation and two (2) as proactive strategic orientation. After being assigned to a certain type of strategic orientation, the data analysis process will be continued to the regression analysis of both strategic orientations toward market capitalization growth.

3.4.2. Market Capitalization Growth

As previously described in chapter two, market capitalization definition is very straightforward as being the multiplication result between shares outstanding and stock price (Brueckner et al., 2023). In this study, the market capitalization will be presented in terms of growth, meaning that it will come in a percentage of growth (ratio) during the observation period. The regression analysis will inspect the impact of strategic orientation choice towards the growth of market capitalization. Several control variables are included in the regression analysis to reduce the possibility of different inferences due to some factors.

3.4.3. Control Variable

The control variable is a significant tool to prevent alternative interpretations or different causal inferences in the observed relationship (Klarmann & Feurer, 2018). Due to its importance in resulting consistent analysis results, this study will also use control variables. The control variable that will be used in this study is firm size. There are several proxies that are popular in the empirical corporate finance field that can be used to represent firm size, and one of them is total assets (Dang et al., 2018). Large-size companies tend to behave more cautiously than the mid-size and small-size companies (William, 2022), which implies the message that from managerial perspective, firm's size might eventually affect the growth of the company. Therefore, firm size will be used as the first control variable.

The second control variable that is used in this study is profitability. The proxy that is used in this study is return on asset (ROA) which shows the ability of a company to generate profit from its asset utilisation (Jihadi et al., 2021). Profitability is chosen as one of the control variables with consideration

that level of profitability might affect firm's investment behaviour. For example, firms with low profitability will have the tendency to take a riskier investment so that they can push for growth that will improve the financial performance (Liu et al., 2023). Considering that point, it can be concluded that firms might choose different strategic orientation and will also have different growth level depends on their profitability, thus, profitability needs to be controlled so that it won't cause different inferences. And lastly, this study will also use industry sector type as a control variable. Previous research around business management also uses this control variable (Rosyid Ali Ridho & Suhari, 2021), thus, to ensure that the factor of difference between industry can be controlled, this study will also use industry sector as a control variable. By applying these three control variables, the study will provide a more objective result that exclude factors such as firm's size, profitability, and industry sector classification that might create alternative inferences.

3.5. Data Analysis

To process the data analysis, IBM SPSS 29 will be used. All of the data that has been collected from LSEG Workspace/Refinitiv and other publicly accessible sources will be imported to SPSS to be further processed. The data will be first used to cluster the companies into a certain type of strategic orientation (strategic orientation composite measurement) and then the analysis process will continue to the regression analysis in SPSS to examine the impact of different strategic orientations toward market capitalization growth.

3.6. Quality of Research (Reliability and Validity)

Reliability can be defined as the consistency or stability of a certain measurement (Segal & Coolidge, 2018). To ensure the quality of this study, reliability test will be conducted. The Reliability Test in SPSS will be used and the Cronbach's Alpha value will be further assessed. The test will be done along with the data analysis process in SPSS before the regression analysis.

3.7. Research Ethics

In this sub-chapter, it is explained the ethical aspect of this research. Based on the generally accepted principles, researchers must conduct their research following

principles of honesty, scrupulousness, transparency, independence, and responsibility (KNAW et al., 2018).

This research has been conducted with close monitoring from the supervisor and all concerns that occurred during the process have been communicated in an honest and open manner. The research has been approached with academic background to avoid the making of unfounded claims. Data that was used is publicly available since it can be openly accessed through LSEG Workspace/Refinitiv. No organization names will be used in the final database to ensure privacy and all the processes are transparent.

Furthermore, a research integrity form from Radboud University has been signed to ensure academic integrity. Contact of the researcher is also made publicly accessible so that any questions regarding this research can be directly confirmed.

4. Analysis

The fourth chapter of this study will explain the analysis result that has been conducted. This chapter will be split into four subchapters which are the data collection process, handling approach of missing value on data, strategic orientation composite measurement and the regression analysis result.

4.1. Data Collection Process

Several data need to be collected from LSEG Workspace/Refinitiv. The collected data is split into three categories based on variables that are used in this study.

First, for the strategic orientation variable:

- Research and development to sales ratio (R&D to Sales ratio)

  The data collection process on the R&D to sales ratio is straightforward since LSEG Workspace/Refinitiv has a specific keyword that can be used for this specific ratio. The keyword inputted for the R&D to sales ratio is WC08341.

- Marketing expenditure to sales ratio

  The data for marketing expenditure to sales ratio is not available in LSEG Workspace/Refinitiv. Therefore, referring to the explanation in the previous chapter, considering that marketing expenditure is part of the selling, general, and administrative (SG&A) expenses, this study utilises the SG&A expenses to sales ratio as the alternative proxy. The keyword inputted for this ratio is WC08336.

- Employment-to-sales ratio

  For the employment-to-sales ratio, LSEG Workspace/Refinitiv also does not provide a specific keyword to be used. Therefore, the data is collected by downloading the employee numbers and sales/revenue separately on a yearly basis. The keywords inputted for these data are WC07011 for employee numbers and WC01001 for sales/revenues. Furthermore, to create the ratio data, employee numbers are divided by sales/revenue.

- Market-to-book ratio

  For market-to-book ratio or also usually known as market-to-book value, the data collection is also quite straightforward like the R&D-to-sales ratio since LSEG/Workspace provided the specific keyword for it. The keyword inputted for this ratio is MTBV.

- Property and equipment to total assets (capital intensity) ratio

For the capital intensity ratio, the process of data collection problem and approach is similar to the employment-to-sales ratio. First the property, plant, and equipment (PPE) numbers are downloaded separately from the total assets. And then to create the capital intensity ratio data, the PPE numbers are divided by the total assets. The keywords used to create this ratio are WC02501 for PPE and WC02999 for total assets.

Second, for the market capitalization growth variable, the keyword used is WC08001 which represents market capitalization. Since the study constructed the dependent variable as market capitalization growth, the downloaded data are spanned from 2014 until 2019 instead of 2015 until 2019. This is done so that the growth can be calculated using the following formula:

$$\frac{\text{Market Capitalization (Current Year)} - \text{Market Capitalization (Previous Year)}}{\text{Market Capitalization (Previous Year)}}$$

Lastly, for the control variables, since the total assets data has been downloaded previously, the remaining data that needs to be downloaded are only the return on assets and industry type. LSEG Workspace/Refinitiv provided the direct keyword for return on assets and industry type which are WC08326 and INDG. Summary of the data collection can be seen in Appendix 1.

4.2. Handling of Missing Data

After completing the data collection, the data is checked for the possibility of missing values on each data point. Initial checking using the Frequencies function in Descriptive Statistics of SPSS indicates several missing values within the data. A manual checking is conducted to check each missing values, so that the proper handling approach can be determined. Following is a detailed explanation of how this study tackled the missing value on each data point (see Appendix 2 for the summary and Appendix 3 for the initial checking using Frequencies function):

- For the R&D to Sales ratio, there are many missing values. From the whole data set, there are only forty-six values obtained from eleven companies. The mean or average cannot be obtained due to too many missing values. Another approach of filling the empty data points with zero value (assuming that these companies do not have any R&D expense) is also not a feasible option. This will cause the quantile value for the strategic orientation composite

measurement to have an extreme difference in score. Trials have been done on both Microsoft Excel (result shows only two quintiles/scores of one or five) and SPSS 29 (result shows only two quintiles/scores of three or five), and based on these trials, R&D to Sales variable is decided to be omitted from the strategic orientation composite measurement.

- The SG&A expenses to sales ratio misses 45 data points (nine companies in five years of observation). The data for 8 companies can be obtained separately through LSEG Workspace/Refinitv. For one other company, the data was obtained directly through the annual report/financial statement across a five-year period.
- Sales/revenue missing one data point in 2019. The data is unavailable in LSEG Workspace/Refinitiv and the annual report or the financial statement is also unavailable since the related company was having a legal issue and was unable to submit the annual report or the financial statement to the regulator. The company was finally delisted from the Indonesia Stock Exchange in 2020. As an additional explanation, this particular company eventually related to the other missing data points in 2019, thus, in the coming explanation, this particular company will be mentioned as Company X to differentiate it from other companies that have a random missing value.
- For employee numbers, Company X has a missing data point in 2019 and one other company (Company Y) has two missing point in 2015 and 2016. Since the data for Company Y cannot be found anywhere, this company is excluded from the dataset.
- Related to the ROA variable, one company had one missing value in 2015 and another company had missing value in 2016 and 2017. The missing data were obtained through LSEG Workspace/Refinitiv separately and also the IPO Prospectus document.
- Finally, related to the missing values on Market Capitalization Growth, since three companies (including Company X) have missing values and one of them has missing values for four years, therefore the used approach is different. Since Market Capitalization Growth data will be used during the regression, companies with missing values will be excluded from the dataset. Therefore, the total number of companies that are being excluded are four.

After conducting all of the approach, the following table is the summary of the final sample of this study:

Table 3. Final Sample

Initial Sample (Before Omission)	**No.**	**Final Sample (After Omission)**	**No.**
Companies (*N*)	67	Companies (*N)*	63
Year of observation	5	Year of observation	5
Total data	335	Total data points	315

4.3. Strategic Orientation Composite Measurement

The process of strategic orientation composite measurement is required so that the concept of strategic orientation can be quantified. The construct of the measurement will mainly follow the concept of strategic orientation composite measurement by Handoyo (2023) that consist of five indicators:

- Research and development to sales ratio
- Marketing expenditure to sales
- Employment to sales
- Market-to-book ratio
- Property and equipment to total assets (capital intensity)

The strategic orientation composite measurement model of Handoyo (2023) is based on the previous work of Ittner et al. (1997), Bentley et al. (2013), and Higgins (2015) which commonly known as strategy composite measurement. Appendix 4 provides the summary of indicators used in four research to measure strategy and as can be seen from the summary, most of the previous research, based the strategy measurement on the work of Ittner et al.(1997) with adjustments to fit the research model. In this study, the measurement will be based on the previous research of Handoyo et al. (2023) but due to data availability regarding the research and development expense, this variable is omitted from the strategic orientation composite measurement. As explained in the previous subchapter, most companies that are being observed do not have R&D expenses, which caused most of the data points to be empty.

Therefore, for the strategic orientation composite measurement, four indicators are used:

- Marketing expenditure to sales
- Employment to sales ratio

- Market-to-book ratio
- Property and equipment to total assets (capital intensity)

The analysis was conducted using SPSS 29 by preparing the data on a yearly basis for each indicator. The data is then ranked based on quintile value which was done by conducting Rank Cases analysis. After conducting the Rank Cases analysis, the data will transform into a range of 1-5 in value for each indicator per year. After that, the data is transformed into a composite scoring that can be done by choosing the Compute Variable in the Transform menu. The target variable is then changed to "Composite" for each year and the numeric expression consists of a summation of each quintile value for one specific year (e.g. SGA2015 + Employee2015 + MTBV2015 + PPEtoTA2015). This process is then repeated for the year of 2016, 2017, 2018, and 2019.

After getting the composite score data, these composite scores are then transformed into dichotomous categorical values of 1 (defensive strategic orientation) and 2 (proactive strategic orientation). This process can be done by choosing the of Recode into Different Variables in the Transform menu in SPSS. Input the Composite score of 2015 until 2019 into the Input Variable box and then name and label each composite score as "StrategicOrientation_year", for example, StrategicOrientation2015 and so on. To change into dichotomous categorical value, the Old and New Values of each composite score need to be changed, thus, two values need to be inputted:

- Range 1 (Defensive Strategic Orientation) is from the lowest value to the value of eight.
- Range 2 (Proactive Strategic Orientation) is from the value of nine to the highest value.

After that, the data will be transformed into a dichotomous categorical value of 1 or 2 for the whole observed period. Based on the summary there are 273 data points that are classified as proactive strategic orientation and 42 data points that are classified as defensive strategic orientation. Here is the table for the summary of all the observed years:

Table 4. Strategic Orientation Statistics							
Strategic Orientation	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**	**Portion**
Proactive	57	55	52	54	55	273	86.67%
Defensive	6	8	11	9	8	42	13.33%
Total	63	63	63	63	63	315	100%

Based on the strategic orientation composite measurement, the samples tend to have a proactive strategic orientation approach for their business. After getting this transformed data, the analysis is continued to the regression analysis. The dataset is then transformed from wide format to long format before the regression analysis.

4.4. Descriptive Statistics

Table 5 shows the descriptive of the final data, containing 315 from 63 companies over 5 years of observation. The Pearson correlation coefficient was used to analyse the relationships between variables in the model. The coefficient can range between -1 to +1 and it is also used as an indicator of the direction between the independent variable and the dependent variable, whether it is positive or negative (Hair et al., 2018). Therefore, the value of -1 constitutes a perfect negative correlation and value of +1 constitutes a perfect positive correlation (Hair et al., 2018). Table 5 shows the correlation coefficient between Strategic Orientation and Market Capitalization growth is -0.053 which can be interpreted as a low and negative correlation. The other variables that act as control variables also have relatively low correlation with the highest value of 0.150 for Total Assets.

The sample of the study are 86.67% firms with proactive strategic orientation and 13.33% with defensive strategic orientation based on the strategic composite measurement. With the sample lean towards proactive strategic orientation, the descriptive statistics shows result of the strategic orientation variable being negatively skewed with skewness of -2.168 and mean statistic at 1.87. Log transformation was applied to both market capitalization growth and total assets as a remedy to the skewness issue. Then, the other variables skewness levels are still within the acceptable threshold between -1 to +1 (Hair et al., 2018), except for industry sectors which was transformed into several dummy variables and strategic orientation (see Appendix 5).

Table 5. *Descriptive Statistics*

	Variable	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32
1	*Market Cap. Growth (Log)*	1	-0.053	0.150	0.061	-0.002	-0.019	-0.018	0.013	0.008	-0.001	-0.011	-0.002	0.023	-0.011	0.145	-0.021	-0.130	0.025	0.221	-0.154	-0.005	-0.039	0.056	-0.026	0.030	0.010	-0.026	0.005	-0.043	-0.001	-0.077	-0.002
2	*StrategicOrientation*	-0.053	1	0.082	0.076	0.115	-0.626	0.050	0.050	-0.064	0.050	-0.100	0.050	0.071	0.071	0.071	0.071	0.050	-0.324	-0.089	0.050	0.050	-0.174	0.139	0.050	0.050	0.050	0.050	0.071	0.044	0.050	0.088	0.050
3	*Total Assets (Log)*	0.150	0.082	1	-0.098	-0.172	0.029	-0.175	-0.064	-0.071	-0.014	0.058	0.199	0.052	0.057	0.078	-0.213	-0.187	-0.130	0.031	-0.298	-0.073	-0.186	0.659	-0.077	-0.015	0.079	-0.030	0.146	-0.087	-0.068	-0.167	0.049
4	*ROA*	0.061	0.076	-0.098	1	0.026	-0.074	-0.084	0.432	0.003	-0.074	-0.029	-0.003	0.044	0.264	-0.033	0.255	-0.203	-0.017	-0.031	-0.306	0.098	-0.003	-0.176	-0.068	-0.085	0.028	0.053	-0.012	0.023	-0.003	0.155	-0.064
	Industry Sector:																																
5	Farming, Fishing	-0.002	0.115	-0.172	0.026	1	-0.076	-0.037	-0.037	-0.095	-0.037	-0.037	-0.037	-0.053	-0.053	-0.053	-0.053	-0.037	-0.037	-0.053	-0.037	-0.037	-0.037	-0.104	-0.104	-0.037	-0.037	-0.037	-0.053	-0.066	-0.037	-0.066	-0.037
6	Construction	-0.019	-0.626	0.029	-0.074	-0.076	1	-0.033	-0.033	-0.084	-0.033	-0.033	-0.033	-0.047	-0.047	-0.047	-0.047	-0.033	-0.033	-0.047	-0.033	-0.033	-0.033	-0.092	-0.092	-0.033	-0.033	-0.033	-0.047	-0.058	-0.033	-0.058	-0.033
7	Health Care Facility	-0.018	0.050	-0.175	-0.084	-0.037	-0.033	1	-0.016	-0.041	-0.016	-0.016	-0.016	-0.023	-0.023	-0.023	-0.023	-0.016	-0.016	-0.023	-0.016	-0.016	-0.016	-0.045	-0.045	-0.016	-0.016	-0.016	-0.023	-0.028	-0.016	-0.028	-0.016
8	Personal Products	0.013	0.050	-0.064	0.432	-0.037	-0.033	-0.016	1	-0.041	-0.016	-0.016	-0.016	-0.023	-0.023	-0.023	-0.023	-0.016	-0.016	-0.023	-0.016	-0.016	-0.016	-0.045	-0.045	-0.016	-0.016	-0.016	-0.023	-0.028	-0.016	-0.028	-0.016
9	Coal	0.008	-0.064	-0.071	0.003	-0.095	-0.084	-0.041	-0.041	1	-0.041	-0.041	-0.041	-0.059	-0.059	-0.059	-0.059	-0.041	-0.041	-0.059	-0.041	-0.041	-0.041	-0.115	-0.115	-0.041	-0.041	-0.041	-0.059	-0.073	-0.041	-0.073	-0.041
10	Iron & Steel	-0.001	0.050	-0.014	-0.074	-0.037	-0.033	-0.016	-0.016	-0.041	1	-0.016	-0.016	-0.023	-0.023	-0.023	-0.023	-0.016	-0.016	-0.023	-0.016	-0.016	-0.016	-0.045	-0.045	-0.016	-0.016	-0.016	-0.023	-0.028	-0.016	-0.028	-0.016
11	Transport Services	-0.011	-0.100	0.058	-0.029	-0.037	-0.033	-0.016	-0.016	-0.041	-0.016	1	-0.016	-0.023	-0.023	-0.023	-0.023	-0.016	-0.016	-0.023	-0.016	-0.016	-0.016	-0.045	-0.045	-0.016	-0.016	-0.016	-0.023	-0.028	-0.016	-0.028	-0.016
12	Automobiles	-0.002	0.050	0.199	-0.003	-0.037	-0.033	-0.016	-0.016	-0.041	-0.016	-0.016	1	-0.023	-0.023	-0.023	-0.023	-0.016	-0.016	-0.023	-0.016	-0.016	-0.016	-0.045	-0.045	-0.016	-0.016	-0.016	-0.023	-0.028	-0.016	-0.028	-0.016
13	Food Products	0.023	0.071	0.052	0.044	-0.053	-0.047	-0.023	-0.023	-0.059	-0.023	-0.023	-0.023	1	-0.033	-0.033	-0.033	-0.023	-0.023	-0.033	-0.023	-0.023	-0.023	-0.064	-0.064	-0.023	-0.023	-0.023	-0.033	-0.040	-0.023	-0.040	-0.023
14	Tobacco	-0.011	0.071	0.057	0.264	-0.053	-0.047	-0.023	-0.023	-0.059	-0.023	-0.023	-0.023	-0.033	1	-0.033	-0.033	-0.023	-0.023	-0.033	-0.023	-0.023	-0.023	-0.064	-0.064	-0.023	-0.023	-0.023	-0.033	-0.040	-0.023	-0.040	-0.023
15	Paper	0.145	0.071	0.078	-0.033	-0.053	-0.047	-0.023	-0.023	-0.059	-0.023	-0.023	-0.023	-0.033	-0.033	1	-0.033	-0.023	-0.023	-0.033	-0.023	-0.023	-0.023	-0.064	-0.064	-0.023	-0.023	-0.023	-0.033	-0.040	-0.023	-0.040	-0.023
16	Diversified Retailers	-0.021	0.071	-0.213	0.255	-0.053	-0.047	-0.023	-0.023	-0.059	-0.023	-0.023	-0.023	-0.033	-0.033	-0.033	1	-0.023	-0.023	-0.033	-0.023	-0.023	-0.023	-0.064	-0.064	-0.023	-0.023	-0.023	-0.033	-0.040	-0.023	-0.040	-0.023
17	Food Retail & Wholesale	-0.130	0.050	-0.187	-0.203	-0.037	-0.033	-0.016	-0.016	-0.041	-0.016	-0.016	-0.016	-0.023	-0.023	-0.023	-0.023	1	-0.016	-0.023	-0.016	-0.016	-0.016	-0.045	-0.045	-0.016	-0.016	-0.016	-0.023	-0.028	-0.016	-0.028	-0.016
18	Specialty Retailers	0.025	-0.324	-0.130	-0.017	-0.037	-0.033	-0.016	-0.016	-0.041	-0.016	-0.016	-0.016	-0.023	-0.023	-0.023	-0.023	-0.016	1	-0.023	-0.016	-0.016	-0.016	-0.045	-0.045	-0.016	-0.016	-0.016	-0.023	-0.028	-0.016	-0.028	-0.016
19	Chemicals: Divers	0.221	-0.089	0.031	-0.031	-0.053	-0.047	-0.023	-0.023	-0.059	-0.023	-0.023	-0.023	-0.033	-0.033	-0.033	-0.033	-0.023	-0.023	1	-0.023	-0.023	-0.023	-0.064	-0.064	-0.023	-0.023	-0.023	-0.033	-0.040	-0.023	-0.040	-0.023
20	Travel & Tourism	-0.154	0.050	-0.298	-0.306	-0.037	-0.033	-0.016	-0.016	-0.041	-0.016	-0.016	-0.016	-0.023	-0.023	-0.023	-0.023	-0.016	-0.016	-0.023	1	-0.016	-0.016	-0.045	-0.045	-0.016	-0.016	-0.016	-0.023	-0.028	-0.016	-0.028	-0.016
21	Pharmaceuticals	-0.005	0.050	-0.073	0.098	-0.037	-0.033	-0.016	-0.016	-0.041	-0.016	-0.016	-0.016	-0.023	-0.023	-0.023	-0.023	-0.016	-0.016	-0.023	-0.016	1	-0.016	-0.045	-0.045	-0.016	-0.016	-0.016	-0.023	-0.028	-0.016	-0.028	-0.016
22	Integrated Oil & Gas	-0.039	-0.174	-0.186	-0.003	-0.037	-0.033	-0.016	-0.016	-0.041	-0.016	-0.016	-0.016	-0.023	-0.023	-0.023	-0.023	-0.016	-0.016	-0.023	-0.016	-0.016	1	-0.045	-0.045	-0.016	-0.016	-0.016	-0.023	-0.028	-0.016	-0.028	-0.016
23	Banks	0.056	0.139	0.659	-0.176	-0.104	-0.092	-0.045	-0.045	-0.115	-0.045	-0.045	-0.045	-0.064	-0.064	-0.064	-0.064	-0.045	-0.045	-0.064	-0.045	-0.045	-0.045	1	-0.125	-0.045	-0.045	-0.045	-0.064	-0.079	-0.045	-0.079	-0.045
24	Real Estate Hold, Dev	-0.026	0.050	-0.077	-0.068	-0.104	-0.092	-0.045	-0.045	-0.115	-0.045	-0.045	-0.045	-0.064	-0.064	-0.064	-0.064	-0.045	-0.045	-0.064	-0.045	-0.045	-0.045	-0.125	1	-0.045	-0.045	-0.045	-0.064	-0.079	-0.045	-0.079	-0.045
25	Gold Mining	0.030	0.050	-0.015	-0.085	-0.037	-0.033	-0.016	-0.016	-0.041	-0.016	-0.016	-0.016	-0.023	-0.023	-0.023	-0.023	-0.016	-0.016	-0.023	-0.016	-0.016	-0.016	-0.045	-0.045	1	-0.016	-0.016	-0.023	-0.028	-0.016	-0.028	-0.016
26	General Mining	0.010	0.050	0.079	0.028	-0.037	-0.033	-0.016	-0.016	-0.041	-0.016	-0.016	-0.016	-0.023	-0.023	-0.023	-0.023	-0.016	-0.016	-0.023	-0.016	-0.016	-0.016	-0.045	-0.045	-0.016	1	-0.016	-0.023	-0.028	-0.016	-0.028	-0.016
27	Telecom Equipment	-0.026	0.050	-0.030	0.053	-0.037	-0.033	-0.016	-0.016	-0.041	-0.016	-0.016	-0.016	-0.023	-0.023	-0.023	-0.023	-0.016	-0.016	-0.023	-0.016	-0.016	-0.016	-0.045	-0.045	-0.016	-0.016	1	-0.023	-0.028	-0.016	-0.028	-0.016
28	Telecom Services	0.005	0.071	0.146	-0.012	-0.053	-0.047	-0.023	-0.023	-0.059	-0.023	-0.023	-0.023	-0.033	-0.033	-0.033	-0.033	-0.023	-0.023	-0.033	-0.023	-0.023	-0.023	-0.064	-0.064	-0.023	-0.023	-0.023	1	-0.040	-0.023	-0.040	-0.023
29	Cement	-0.043	0.044	-0.087	0.023	-0.066	-0.058	-0.028	-0.028	-0.073	-0.028	-0.028	-0.028	-0.040	-0.040	-0.040	-0.040	-0.028	-0.028	-0.040	-0.028	-0.028	-0.028	-0.079	-0.079	-0.028	-0.028	-0.028	-0.040	1	-0.028	-0.050	-0.028
30	Oil Refining & Marketing	-0.001	0.050	-0.068	-0.003	-0.037	-0.033	-0.016	-0.016	-0.041	-0.016	-0.016	-0.016	-0.023	-0.023	-0.023	-0.023	-0.016	-0.016	-0.023	-0.016	-0.016	-0.016	-0.045	-0.045	-0.016	-0.016	-0.016	-0.023	-0.028	1	-0.028	-0.016
31	Radio TV Broadcasters	-0.077	0.088	-0.167	0.155	-0.066	-0.058	-0.028	-0.028	-0.073	-0.028	-0.028	-0.028	-0.040	-0.040	-0.040	-0.040	-0.028	-0.028	-0.040	-0.028	-0.028	-0.028	-0.079	-0.079	-0.028	-0.028	-0.028	-0.040	-0.050	-0.028	1	-0.028
32	Offshore Drill & Sys	-0.002	0.050	0.049	-0.064	-0.037	-0.033	-0.016	-0.016	-0.041	-0.016	-0.016	-0.016	-0.023	-0.023	-0.023	-0.023	-0.016	-0.016	-0.023	-0.016	-0.016	-0.016	-0.045	-0.045	-0.016	-0.016	-0.016	-0.023	-0.028	-0.016	-0.028	1
	Minimum Statistic	0.300	1.000	8.680	-42.780	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	Maximum Statistic	3.050	2.000	12.150	52.090	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
	Mean Statistic	1.967	1.870	10.553	7.320	0.079	0.064	0.016	0.016	0.095	0.016	0.016	0.016	0.032	0.032	0.032	0.032	0.016	0.016	0.032	0.016	0.016	0.016	0.111	0.111	0.016	0.016	0.016	0.032	0.048	0.016	0.048	0.016
	Std. Deviation Statistic	0.261	0.340	0.585	9.872	0.271	0.244	0.125	0.125	0.294	0.125	0.125	0.125	0.176	0.176	0.176	0.176	0.125	0.125	0.176	0.125	0.125	0.125	0.315	0.315	0.125	0.125	0.125	0.176	0.213	0.125	0.213	0.125

Note. N = 63

4.5. Assumptions of Linear Regression Analysis

The size of the sample that is being used in research has the effect of increasing statistical power by decreasing sampling error. Since this study has a sample size of 315, the sample size effect due to small sampling is negligible (Hair et al., 2018). According to Hair et al. (2019) there are four assumptions to be tested: normality, homoscedasticity, linearity, and independence of the error terms. See Appendix 6 for the output of the assumptions.

Normality: The first assumption is the assessment of the normal distribution of error terms using a normal probability plot (Normal P-P plot). To fulfil the assumption of normal distribution, the P-P plot should align closely to the diagonal line. Normality can have important effects in research with small samples (< 50), but the effect gradually reduces when sample size increases (≥ 200) (Hair et al., 2018).

Homoscedasticity: The second assumptions involve the assessment of constant variance of the error terms or homoscedasticity by examining the scatterplot of the standard residuals (ZRESID) and the standardized predicted values (ZPRED). There is no pattern observed, thus, the assumption of linearity and homoscedasticity have been met (Hair et al., 2018).

Linearity: The third assumption focuses on the importance for variables involved in the regression model to have a linear relationship. This assumption is checked by also examining the scatterplot, in which shows that the residuals are spread around the zero line and are not shaped into a specific pattern. This confirms the fulfilment of the linearity assumption.

Independence of the error terms: The fourth assumption is examined by checking the residuals statistics. The standardized predicted value has a mean value of 0.00 and also standard deviation of 1.00, meaning that the error terms are uncorrelated with the dependent variable, which conveys that the last assumption is met.

4.6. Reliability Test

The reliability test focuses on measuring the degree of consistency between multiple measurements of variables (Hair et al., 2018). This can be done with by assessing the Cronbach's Alpha with desired reliability score to be above 0.70 (Hair et al., 2018). The reliability test has been done and the result shows Cronbach's Alpha

value of 0.863, meaning that the degree of consistency between multiple measured variables is above the threshold (see Appendix 7).

4.7. Regression Analysis Results

Hypotheses 1 and 2 are tested by running a linear regression analysis on a total of 63 companies. Multiple regression is conducted to also look for the effect of the control variables. Therefore, there are two models with market capitalization growth as the dependent variable (see Table 7). *Model 1* is the base model, which consists of the market capitalization as the dependent variable and strategic orientation as the independent variable. *Model 2* adds the control variable of total assets that represents firm size, ROA that represents profitability, and industry sector. The standardized beta coefficient will be used due to its ability see individual effect of each variable (Hair et al., 2018).

Model 1 or the base model shows result of negative effect of strategic orientation to market capitalization growth, however, the result is not significant (B= -0.053, p= 0.353). Therefore, both hypothesis one and hypothesis two cannot be answered.

Model 2 includes control variables of firm size (total assets), profitability (ROA), and industry sector. The analysis also shows a negative and not significant result for the relationship between strategic orientation and market capitalization growth (B= -0.092, p= 0.305).

Based on the hypothesis testing, it can be summarized that based on the two models that were used, strategic orientation has no significant relationship to market capitalization growth. Both hypotheses are not supported since the result shows no significant relationship between strategic orientation and market capitalization growth. Firm size and profitability also have no significant effect on market capitalization growth. As for the third control variable, the industry sector, two of the industry sectors have a positive and significant relationship with market capitalization growth. These industries are paper production industry sector and chemical industry sector.

Table 7. *Results of Regression Analyses*

Variables	Model 1 (Base Model)	Model 2 (Full Model)
Control Variables		
Total Assets (Log)		0.039
Return on Assets (ROA)		0.050
Industry Sector:		
Farming, Fishing		0.108
Construction		0.016
Health Care Facility		0.042
Personal Products		0.042
Coal		0.108
Iron & Steel		0.052
Transport Services		0.023
Automobiles		0.039
Food Products		0.087
Tobacco		0.042
Paper		0.207**
Diversified Retailers		0.044
Food Retail & Wholesale		-0.062
Specialty Retailers		0.046
Chemicals: Divers		0.268***
Travel & Tourism		-0.076
Pharmaceuticals		0.042
Integrated Oil & Gas		-0.003
Banks		0.157
Real Estate Hold, Dev		0.098
Gold Mining		0.083
General Mining		0.054
Telecom Equipment		0.021
Telecom Services		0.068
Cement		0.04
Oil Refining & Marketing		0.051
Radio TV Broadcasters		0.008
Offshore Drill & Sys		0.048
Independent Variable		
Strategic Orientation	-0.053	-0.092
R^2	0.003	0.000
Adj. R^2	0.131	0.036
F	0.866	1.379*

Note: *p<.10, **<.05, ***<.01
N: 63

5. Discussion and Conclusion

The objective of this study is to provide an academic examination for firms by determining what kind of influences are brought by different choices of strategic orientation toward firms' return that is represented by market capitalization growth. The examination has been done and an answer will be given to the following research question:

What is the impact of different strategic orientation choices on market capitalization growth?

Two hypotheses are developed to answer the research question and these hypotheses are based on previous research which found that firms with proactive strategic orientation perform better than firms with defensive strategic orientation (Handoyo et al., 2023). The first hypothesis states that proactive strategic orientation positively influences market capitalization growth and the second hypothesis states that defensive strategic orientation negatively influences market capitalization growth. The result shows that there is no relationship between strategic orientation and market capitalization, therefore, both hypotheses are not supported. However, one of the control variables does have a partial effect on market capitalization growth.

5.1. Theoretical Implications

This sub-chapter will further discuss the finding of this study and in particular, the reasons why the finding defied the initial hypothesis, that there is a relationship between strategic orientation and market capitalization growth. First, the result can be explained from the perspective that strategic orientation does not directly lead to a superior performance or return (Zhou et al., 2005). From a broader perspective, the impact of strategic orientation on firm performance is still at a potential level and it requires other factors to be realized (Reyes-Gómez et al., 2024). Strategic orientation as a concept should not be used as a sole factor of firm performance to enable the advancement of the literature (Reyes-Gómez et al., 2024), which implies the message of the utilisation of other factors as a variable, be it as the mediating, moderating, or control variable.

Second, this study was based on the initial idea that the relationship between different strategic orientation choices and return needs to be further researched due to the probability that certain types of strategic orientation will be more appreciated than the other ((Bhattacharya et al., 2019). This study is heavily grounded in the previous

research work of Handoyo et al. (2023). The assumed positive relationship between proactive strategic orientation and market capitalization was not found in this study. The contradiction to the result provided by Handoyo et al. (2023) might come as a result of different sample that were being used. This study uses LQ45 Index firms and to put into context, firms that are listed in the LQ45 Index are known as the largest in terms of size and also the most traded in the whole Indonesia Stock Exchange (Malini, 2019). With the initial indication that the object of this study is skewed towards a certain size of firms, this might become the cause of the sample to be quite skewed, with 86% of the sample categorized as firms with proactive strategic orientation. This is also happened to be the case in the research of Handoyo et al. (2023) where it was mentioned that larger firms tend to choose a more proactive approach than the smaller firms.

Third, there are multiple factors that need to be considered when discussing about market capitalization growth. As already explained, market capitalization is the result of multiplication between current stock price and total shares outstanding (Brueckner et al., 2023), which means that stock price plays an important role for market capitalization. Meanwhile, stock price movement is mainly affected by economic conditions and there are also other factors such as market sentiments, annual general meeting events, return on investment, inflation, interest rate, etc. (Sindhu et al., 2014). This is means that there are many other factors that should be considered to have an effect towards market capitalization growth, which then, need to be used as variables for the future research in this area.

In addition to the reasons, an additional finding about the use of industry sector as a control variable gives an early indication that market capitalization growth might be higher in a certain sector of the industry. This is in line with previous research finding which shows that serving a specific segment or sector in the industry provides different return in the form of profit (Houthoofd & Hendrickx, 2012). This finding can be used as a consideration point on the usage of industry sector as a variable for future studies on business and management in general.

Despite the contradicting results between this study and some previous research, this study has answered the call to conduct more research on the relationship between strategic orientation and return (Bhattacharya et al., 2019) and can act as a stepping point for further extended work in this field. The different results should be used as a base to conduct more research on this field with consideration to more factors

that might affect both strategic orientation and return or market capitalization growth. This study complements previous research on strategic orientation that has already started the use of mediating, moderating, or control variables such as innovation (Reyes-Gómez et al., 2024), management characteristics (Aragón-Sánchez & Sánchez-Marín, 2005), etc. Strategic orientation in itself cannot fully become the sole reason for superior performance or return (Reyes-Gómez et al., 2024) which in this case has shown that there is a need for an interplay between many factors to understand the relationship between strategic orientation and superior performance or return.

5.2. Practical Implications, Reflections, and Recommendations

Based on the results of this research, two managerial implications can be suggested. Reflecting on the notion that strategic orientation should not be used as the sole factor for superior performance (Reyes-Gómez et al., 2024) confirms the results of this study. Before applying any strategic orientations, other factors for example innovation (Aragón-Sánchez & Sánchez-Marín, 2005), business model (Han et al., 2022), management characteristics (Aragón-Sánchez & Sánchez-Marín, 2005) should be further considered as factor within an organisation. Managers and businesses should not fully rely on strategic orientation to be able to achieve superior performance.

Second, managers need to consider the importance of industry sector. As previously mentioned, serving a specific segment or sector in the industry provides different return in the form of profit (Houthoofd & Hendrickx, 2012) and it has been proven as well by the finding of this study. Therefore, managers or entrepreneurs should consider more on which industry they want to enter, be it for opening new business as an entrepreneur or expanding business area as a manager.

In summary, it is recommended for businesses and managers to look further than just applying certain type of strategic orientation but to also put emphasise on other characteristics of an organisation and also to consider the specific industry sector that they might enter.

As a final reflection, despite understanding that there is no direct relationship between strategic orientation and market capitalization growth during this study, the implementation of a certain type of strategic orientation does not necessarily guarantee better return. For example, applying proactive strategic orientation does not necessarily guarantee a better performance since to be able to gain the benefit of applying it, firms need to consider various external business factors (Handoyo et al.,

2023).On the other hand, firms with defensive strategic orientation, engage in extensive intelligence-related activities so that they can focus on cost-reduction strategy, something that firms with proactive strategic orientation cannot do since it is costly and very time-consuming (Matsuno & Mentzer, 2000). Defensive-oriented firms focus on efficiency and this has allowed them to perform better in their market (Miles et al., 1978). Previous research showed that in different types of industries, defensive strategic orientation performs better than proactive strategic orientation in specific industries (Anwar & Hasnu, 2017). In other research, defender firms (defensive strategic orientation) also provide a better return on assets compared to prospectors and analysers strategies (proactive strategic orientation), respectively (Blackmore & Nesbitt, 2013). These previous research shows that the performance and return of a firm rely on other internal and external factors as well.

5.3. Limitations and Directions for Future Research

This research has some limitations which provide some perspectives on the direction for future studies in this research area. First, both this study and the research of Handoyo et al. (2023), based the strategic orientation composite measurement on the previous work by Bentley et al. (2013). While finding no issue with the financial indicators that were used in the composite measurement, the clustering to strategy types follows a strict definition; defenders (6-12); analysers (13-23); prospectors (24-30) (Bentley et al., 2013). Handoyo et al. (2023) uses a similar scoring system with the only difference lying in the utilisation of only 5 financial indicators. This resulted in the following clusters of defensive (5-10) and proactive (11-25), which sees the merger of the analyser and prospector strategies. In this study, due to the omission of one financial indicator, the clusters are split into defensive (4-8) and proactive (9-20). Although the sample in the previous work of Handoyo et al. (2023) are quite balanced in terms of the numbers between firms with a proactive and defensive strategic orientation, this study has sample that are leaned more towards proactive strategic orientation. This might be caused by the merging of two strategy types into one. Future research might consider using a different composite scoring system or even developing a new, more balanced one.

The second aspect that needs to be considered is the use of proxy for the research. Strategic orientation in this study was proxied into two types of proactive and defensive. With only two proxies, it will likely increase the probability of extreme

distribution of data, compared to the usage of more proxies. For example, future research can also use the four types of strategic orientation based on the original work of Miles and Snow which are reactor, defender, analyser, and prospector (Miles et al., 1978). Using more types reduce the probability of extreme distribution. Also, in another strategic orientation school of thought, there are choices of strategic orientation that can be used such as market orientation (Narver & Slater, 1990), customer orientation, competitor orientation, and technological orientation (Gatignon & Xuereb, 1997). These strategic orientations can be used as an alternative to the one used in this study.

Continuing the discussion about proxy usage, different model can be used to inspect the relationship between strategic orientation and performance or return. According to Hakala (2011), there are three approaches of using strategic orientation which are sequential, alternative, and complementary. This study utilises model that is based on the alternative approach, which argue that a certain strategic orientation is better than other in a specific condition (C. Han & Zhang, 2021). Another two approach can be utilised more in order to better understand the relationship between strategic orientation and performance or return. For example, sequential approach has shown that the utilisation supply-based orientation actually resulting in a stronger relationship between customer orientation and performance (Ziggers & Henseler, 2016). Han and Zhang (2021) also used the sequential approach to examine the relationship of entrepreneurial orientation and learning orientation. There is also previous research that use the complementary approach, one of the examples is the examination of the joint effect between entrepreneurial orientation, market orientation, and learning orientation toward growth-based performance (Deutscher et al., 2016). Future research can consider these approaches to better understand the impact of strategic orientation to business performance or return. These previous studies can be alternatives for future research on how to treat strategic orientation as a variable.

5.4. Conclusion

Two main conclusions can be drawn based on the findings of this study. First, strategic orientation does not always have a direct relationship with firm performance or return. This study confirmed that strategic orientation requires other factors that act as a mediating or moderating factor. This is similar to the argument by Reyes-Gómez et al. (2024) that mentions the need for other factors for strategic orientation to be able

to determine future performance or return. For example, in their research Reyes-Gómez et al. (2024) found out that innovation have a full and partial mediating role towards firm performance depending on the type of the strategic orientation. This particular finding also revealed the need to further improve the research model for future research on the relationship between strategic orientation and return of firm or market capitalization.

Second, despite the inability of this study's finding to answer which type of strategic orientation leads to higher market capitalization growth, this study shows that some industry sectors, namely chemicals and paper, has a positive and significant relationship with market capitalization. This has proved the previous statement that different industries have different rate of return (Houthoofd & Hendrickx, 2012). Thus, this factor can be further used as a variable for future research.

Lastly, as part of the reflection of the result, direct comparison between two types of strategic orientation is not the only way to construct the research on strategic orientation. Hakala (2011) showed that there three ways to use the strategic orientation as a proxy: sequential, alternative, and complementary. Examples of previous research by Ziggers & Henseler (2016) and Han & Zhang C. Han & Zhang (2021) can be referred as the sequential approach of using strategic orientations, while the research from Deutscher et al. (2016) can be a point of reference for complementary approach of using strategic orientations. This has shown multiple approaches to conduct further research on the topic of strategic orientation, including the one used in this study, which is the alternative approach.

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7. Appendices

7.1. Appendix 1 - Summary of Data Collection

No	Strategic Orientation Variable	Approach	Keyword(s)
1	R&D to Sales ratio	Single keyword input	WC08341
2	SG&A to Sales ratio	Single keyword input	WC08336
3	Employment to Sales	Double keyword input (employees)	WC07011
		Double keyword input (sales)	WC01001
4	Market to Book ratio	Single keyword input	MTBV
5	Capital Intensity ratio	Double keyword input (PPE)	WC02501
		Double keyword input (Total Assets)	WC02999

7.2. Appendix 2 - Summary of the Approach to Handle Missing Values on Dataset

No	Indicator	Missing Data Point(s)	Description	Approach
1	R&D to Sales ratio	289	Many companies	Omitted from the strategic orientation composite measurement
2	SG&A to Sales ratio	45	9 companies	- Separate search on LSEG Workspace/Refinitiv - Access to annual report/financial statements
3	Sales	1	1 company (company X)	-
4	Employee	3	2 companies (company X and Y)	Company Y was not included as a sample*
5	ROA	3	2 companies	- Separate search on LSEG Workspace/Refinitiv - Access to IPO Prospectus document
6	Market Capitalization Growth	7	3 companies (including company X)	Three companies were not included as samples*

Note. Company X missing many data points on some indicators (Sales, Total Assets, PPE, and ROA)
*Note. * Total excluded companies are 4. Final samples are 63 companies.*

7.3. Appendix 3 – Frequencies Summary

Variables	Year	Missing Value(s)	Variable	Year	Missing Value(s)
Market Capitalization Growth	2015	3	Market to Book Value	2015	2
	2016	2		2016	2
	2017	1		2017	1
	2018	1		2018	0
	2019	1		2019	0
R&D to Sales	2015	58	Property Plant and Equipment	2015	0
	2016	59		2016	0
	2017	58		2017	0
	2018	57		2018	0
	2019	57		2019	1
Employees	2015	1	Total Asset	2015	0
	2016	1		2016	0
	2017	0		2017	0
	2018	0		2018	0
	2019	1		2019	1
SG&A to Sales	2015	0	Sales	2015	0
	2016	0		2016	0
	2017	0		2017	0
	2018	0		2018	0
	2019	1		2019	1

7.4. Appendix 4 – Used Proxies for Strategic Orientation Composite Measurement

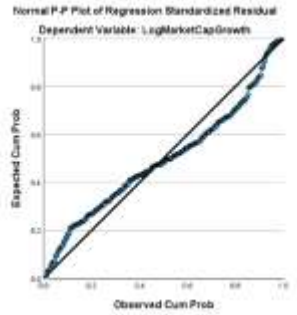
Researcher(s)	Title	Used Proxies
Handoyo et al. (2023)	The determinants of a firm's strategic orientation and its implication on performance: A study on Indonesia state owned enterprises	1. Research and development to sales 2. Marketing expenditure to sales 3. Employment to sales 4. Market to book ratio 5. Property and equipment to total assets (capital intensity)
Higgins et al. (2015)	The influence of a firm's business strategy on its tax aggressiveness	1. Research and development to sales 2. Employees to sales 3. Historical growth measure (sales growth) 4. Marketing (SG&A) to sales 5. Employee fluctuations (std. deviation of total employees) 6. Net PPE to total assets (capital intensity)
Bentley et al. (2013)	Business strategy, financial reporting irregularities and audit effort	1. Research and development to sales 2. Employees to sales ratio 3. Historical growth measure (sales growth) 4. Marketing (SG&A) to sales 5. Employee fluctuations (std. deviation of total employees) 6. Net PPE to total assets (capital intensity)
Ittner et al. (1997)	The choice of performance in annual bonus contracts	1. Research and development to sales 2. Market to book ratio 3. Employees to sales 4. Number of new product or service introductions

7.5. Appendix 5 – Additional Descriptive Statistics

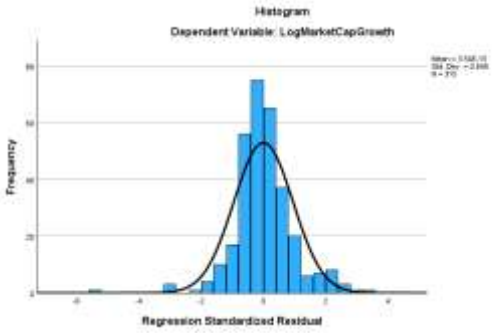
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
LogMarketCapGrowth	315	.30	3.05	1.9665	.26095	-.239	.137	6.966	.274
StrategicOrientation	315	1	2	1.87	.340	-2.168	.137	2.716	.274
LogTotalAssets	315	8.68	12.15	10.5530	.58480	.475	.137	.664	.274
ROA	315	-42.78	52.09	7.3203	9.87191	.570	.137	7.876	.274
IndustrySector=Farming, Fishing	315	.00	1.00	.0794	.27074	3.127	.137	7.829	.274
IndustrySector=Constructio n	315	.00	1.00	.0635	.24423	3.597	.137	11.011	.274
IndustrySector=Health Care Facility	315	.00	1.00	.0159	.12518	7.784	.137	58.967	.274
IndustrySector=Personal Products	315	.00	1.00	.0159	.12518	7.784	.137	58.967	.274
IndustrySector=Coal	315	.00	1.00	.0952	.29401	2.771	.137	5.715	.274
IndustrySector=Iron & Steel	315	.00	1.00	.0159	.12518	7.784	.137	58.967	.274
IndustrySector=Transport Services	315	.00	1.00	.0159	.12518	7.784	.137	58.967	.274
IndustrySector=Automobile s	315	.00	1.00	.0159	.12518	7.784	.137	58.967	.274
IndustrySector=Food Products	315	.00	1.00	.0317	.17560	5.367	.137	26.978	.274
IndustrySector=Tobacco	315	.00	1.00	.0317	.17560	5.367	.137	26.978	.274
IndustrySector=Paper	315	.00	1.00	.0317	.17560	5.367	.137	26.978	.274
IndustrySector=Diversified Retailers	315	.00	1.00	.0317	.17560	5.367	.137	26.978	.274
IndustrySector=Food Retail & Wsale	315	.00	1.00	.0159	.12518	7.784	.137	58.967	.274
IndustrySector=Speacialty Retailers	315	.00	1.00	.0159	.12518	7.784	.137	58.967	.274
IndustrySector=Chemicals: Divers	315	.00	1.00	.0317	.17560	5.367	.137	26.978	.274
IndustrySector=Travel & Tourism	315	.00	1.00	.0159	.12518	7.784	.137	58.967	.274
IndustrySector=Pharmaceu ticals	315	.00	1.00	.0159	.12518	7.784	.137	58.967	.274
IndustrySector=Integrated Oil & Gas	315	.00	1.00	.0159	.12518	7.784	.137	58.967	.274
IndustrySector=Banks	315	.00	1.00	.1111	.31477	2.487	.137	4.211	.274
IndustrySector=Real Estate Hold, Dev	315	.00	1.00	.1111	.31477	2.487	.137	4.211	.274
IndustrySector=Gold Mining	315	.00	1.00	.0159	.12518	7.784	.137	58.967	.274
IndustrySector=General Mining	315	.00	1.00	.0159	.12518	7.784	.137	58.967	.274
IndustrySector=Telecom Equipment	315	.00	1.00	.0159	.12518	7.784	.137	58.967	.274
IndustrySector=Telecom Services	315	.00	1.00	.0317	.17560	5.367	.137	26.978	.274
IndustrySector=Cement	315	.00	1.00	.0476	.21330	4.269	.137	16.327	.274
IndustrySector=Oil Refining & Mkting	315	.00	1.00	.0159	.12518	7.784	.137	58.967	.274
IndustrySector=Radio TV Broadcasters	315	.00	1.00	.0476	.21330	4.269	.137	16.327	.274
IndustrySector=Offshore Drill & Sys	315	.00	1.00	.0159	.12518	7.784	.137	58.967	.274
Valid N (listwise)	315								

7.6. Appendix 6 – Output of the Regression Assumptions



1. **Normal P-Plot of regression**



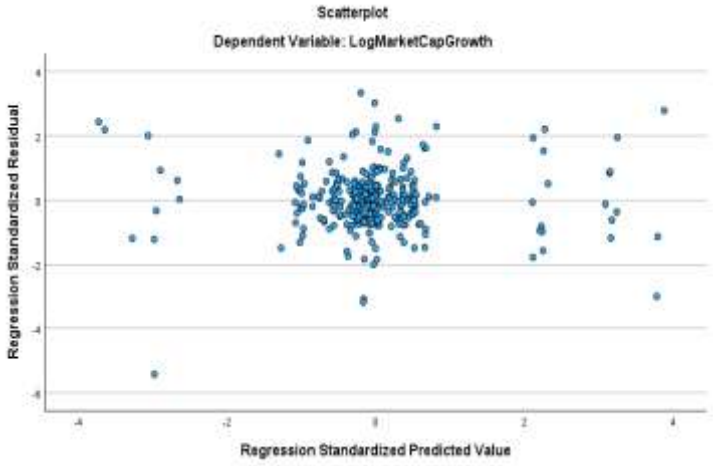
2. **Histogram**

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.6144	2.3335	1.9665	.09454	315
Residual	-1.38996	.85434	.00000	.24323	315
Std. Predicted Value	-3.724	3.882	.000	1.000	315
Std. Residual	-5.425	3.335	.000	.949	315

a. Dependent Variable: LogMarketCapGrowth

3. **Residuals Statistics**



4. **Scatterplot**

7.7. Appendix 7 – Reliability Test Result (Cronbach's Alpha)

Reliability Statistics

Cronbach's Alpha	N of Items
.863	20

7.8. Strategic Orientation Composite Measurement Result

Company	Quintile SGA 2015	Quintile SGA 2016	Quintile SGA 2017	Quintile SGA 2018	Quintile SGA 2019	Quintile MTBV 2015	Quintile MTBV 2016	Quintile MTBV 2017	Quintile MTBV 2018	Quintile MTBV 2019	Quintile Employee 2015	Quintile Employee 2016	Quintile Employee 2017	Quintile Employee 2018	Quintile Employee 2019	Quintile Capital Intensity 2015	Quintile Capital Intensity 2016	Quintile Capital Intensity 2017	Quintile Capital Intensity 2018	Quintile Capital Intensity 2019	Composite Score 2015	Composite Score 2016	Composite Score 2017	Composite Score 2018	Composite Score 2019	Strategic Orientation 2015	Strategic Orientation 2016	Strategic Orientation 2017	Strategic Orientation 2018	Strategic Orientation 2019
Company 1	1	2	2	2	2	1	1	2	1	1	2	2	2	2	2	5	5	5	5	4	9	10	11	10	9	2	2	2	2	2
Company 2	1	1	1	1	2	2	3	2	1	1	1	1	1	1	1	2	2	2	1	1	6	7	6	4	5	1	1	1	1	1
Company 3	1	1	1	1	1	4	5	4	4	4	1	1	1	1	1	3	3	3	3	3	9	10	9	9	9	2	2	2	2	2
Company 4	3	3	2	3	3	2	2	1	1	1	3	4	3	4	4	2	2	2	2	2	10	11	8	10	10	2	2	1	2	2
Company 5	2	2	2	2	3	1	2	1	1	2	2	2	2	2	2	4	4	5	5	5	9	10	10	10	12	2	2	2	2	2
Company 6	2	2	2	2	2	4	3	3	2	2	5	5	5	5	5	5	5	5	5	5	16	15	15	14	14	2	2	2	2	2
Company 7	3	3	3	3	2	4	4	4	4	4	4	4	4	4	4	2	2	3	2	2	13	13	14	13	12	2	2	2	2	2
Company 8	5	5	5	5	5	2	2	2	3	3	3	3	3	3	3	1	1	1	1	1	11	11	11	12	12	2	2	2	2	2
Company 9	5	5	5	5	5	3	3	3	4	4	3	3	4	4	3	1	1	1	1	1	12	12	13	14	13	2	2	2	2	2
Company 10	5	5	5	5	5	1	2	2	2	2	3	3	3	3	3	1	1	1	1	1	10	11	11	11	11	2	2	2	2	2
Company 11	5	5	5	5	5	4	4	4	5	5	3	3	3	3	3	1	1	1	1	1	13	13	13	14	14	2	2	2	2	2
Company 12	5	5	5	5	5	2	2	2	3	2	5	5	5	5	4	1	1	1	1	1	13	13	13	14	12	2	2	2	2	2
Company 13	5	5	5	5	5	3	3	3	3	3	2	2	2	3	3	1	1	1	1	1	11	11	11	12	12	2	2	2	2	2
Company 14	3	3	3	3	3	3	3	3	4	4	2	2	1	1	1	4	3	4	3	3	12	11	11	11	11	2	2	2	2	2
Company 15	4	4	4	5	5	3	3	2	2	2	4	4	3	4	4	1	1	1	1	1	12	12	10	12	12	2	2	2	2	2
Company 16	1	1	1	2	1	4	5	4	5	5	1	1	1	2	1	4	4	4	4	4	10	11	10	13	11	2	2	2	2	2
Company 17	4	4	4	4	4	3	4	3	2	3	2	3	4	3	4	2	2	2	2	2	11	13	13	11	13	2	2	2	2	2
Company 18	3	3	5	5	5	3	1	2	1	1	5	5	5	5	5	5	5	5	5	5	16	14	17	16	16	2	2	2	2	2
Company 19	4	4	4	4	4	3	3	2	1	1	5	5	5	5	5	3	4	4	4	4	15	16	15	14	14	2	2	2	2	2
Company 20	3	4	4	4	4	3	4	5	5	4	4	5	4	5	4	3	3	3	3	3	13	16	16	17	15	2	2	2	2	2
Company 21	3	3	3	3	3	1	1	2	3	2	2	2	2	2	2	3	3	2	3	3	9	9	9	11	10	2	2	2	2	2
Company 22	3	4	4	4	4	4	4	4	5	5	2	3	3	3	3	4	4	4	4	4	13	15	15	16	16	2	2	2	2	2
Company 23	4	3	3	3	3	5	5	5	5	5	4	4	4	4	4	3	3	3	3	3	16	15	15	15	15	2	2	2	2	2
Company 24	3	3	3	4	3	3	4	4	3	3	5	5	5	5	5	4	4	4	4	4	15	16	16	16	15	2	2	2	2	2
Company 25	3	2	2	2	2	2	2	2	4	3	1	1	2	2	2	3	2	2	2	2	9	7	8	10	9	2	1	1	2	2
Company 26	2	1	1	1	1	4	4	4	3	4	3	3	2	2	3	1	1	1	1	1	10	9	8	7	9	2	2	1	1	2
Company 27	4	5	4	4	4	5	5	5	5	5	4	4	4	4	4	3	3	3	3	4	16	17	16	16	17	2	2	2	2	2
Company 28	4	4	4	5	5	2	2	1	1	1	5	4	4	4	5	2	2	2	2	2	13	12	11	12	13	2	2	2	2	2
Company 29	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	3	3	2	3	3	18	18	17	18	18	2	2	2	2	2
Company 30	4	4	4	4	4	4	5	4	4	2	5	5	5	5	5	3	3	3	3	3	16	17	16	16	14	2	2	2	2	2
Company 31	5	5	5	5	5	4	3	4	4	4	5	5	5	5	5	3	3	3	3	3	17	16	17	17	17	2	2	2	2	2
Company 32	2	2	3	2	2	3	4	4	4	4	4	4	4	4	3	2	2	2	2	2	11	12	13	12	11	2	2	2	2	2
Company 33	2	3	2	3	3	3	2	2	2	3	1	1	1	1	1	4	4	5	5	5	10	10	10	11	12	2	2	2	2	2
Company 34	1	1	1	1	1	5	3	3	2	2	1	1	1	1	1	2	2	2	2	2	9	7	7	6	6	2	1	1	1	1
Company 35	2	2	2	2	2	2	3	2	1	2	5	5	5	5	5	5	5	5	5	5	14	15	14	13	14	2	2	2	2	2
Company 36	4	4	3	3	3	4	3	3	3	4	2	2	3	3	3	5	5	5	5	5	15	14	14	14	15	2	2	2	2	2
Company 37	5	4	3	4	4	1	1	1	1	1	4	2	2	3	4	1	1	1	1	1	11	8	7	9	10	2	1	1	2	2
Company 38	4	4	4	4	4	5	4	4	3	4	3	3	3	3	3	1	1	1	1	1	13	12	12	11	12	2	2	2	2	2
Company 39	3	3	3	3	4	5	5	5	5	5	4	4	4	4	4	2	2	3	2	2	14	14	15	14	15	2	2	2	2	2
Company 40	4	4	4	4	4	4	5	5	5	5	2	2	2	2	2	5	5	5	5	5	15	16	16	16	16	2	2	2	2	2
Company 41	2	2	2	2	2	5	5	5	5	4	2	2	2	2	2	1	1	5	5	5	10	10	14	14	13	2	2	2	2	2
Company 42	5	5	5	4	4	5	5	5	5	5	2	2	2	2	2	4	4	5	4	5	16	16	17	15	16	2	2	2	2	2
Company 43	2	2	2	2	1	3	2	3	4	3	3	3	3	3	3	3	3	3	4	4	11	10	11	13	11	2	2	2	2	2
Company 44	1	1	1	1	1	2	1	1	2	2	2	3	3	3	3	5	5	5	5	5	10	10	10	11	11	2	2	2	2	2
Company 45	1	1	1	1	1	2	4	4	3	3	1	1	1	1	1	2	2	1	2	2	6	8	7	7	7	1	1	1	1	1
Company 46	1	1	1	1	1	4	3	3	1	2	1	1	1	1	2	2	2	2	2	2	8	7	7	5	7	1	1	1	1	1
Company 47	2	2	3	3	3	3	3	3	2	3	1	1	1	1	1	5	5	5	5	5	11	11	12	11	12	2	2	2	2	2
Company 48	3	4	4	4	4	5	4	5	2	4	4	4	4	4	5	2	3	3	3	3	14	15	16	13	16	2	2	2	2	2
Company 49	3	3	4	3	3	5	5	5	4	4	5	5	5	5	5	5	5	4	4	4	18	18	18	16	16	2	2	2	2	2
Company 50	4	4	4	4	4	5	4	4	3	3	5	5	5	5	5	4	4	3	4	4	18	17	16	16	16	2	2	2	2	2
Company 51	1	1	1	1	1	4	4	3	2	3	3	2	2	2	2	4	4	4	3	3	12	11	10	8	9	2	2	2	1	2
Company 52	2	1	1	1	1	2	2	1	1	1	3	3	3	2	2	4	4	3	3	3	11	10	8	7	7	2	2	1	1	1
Company 53	4	3	3	3	3	5	5	5	5	5	4	3	4	4	3	2	2	2	2	2	15	13	14	14	13	2	2	2	2	2
Company 54	5	5	5	5	5	2	2	3	3	3	4	4	4	4	4	1	1	1	1	1	12	12	13	13	13	2	2	2	2	2
Company 55	1	1	1	1	2	1	1	3	4	5	1	1	1	1	1	5	5	4	4	4	8	8	9	10	12	1	1	2	2	2
Company 56	5	5	5	3	2	1	1	1	1	1	3	4	5	1	1	3	4	4	4	4	12	14	15	9	8	2	2	2	2	1
Company 57	1	1	1	1	1	1	2	5	5	5	1	1	1	1	1	5	5	4	5	5	8	9	11	12	12	1	2	2	2	2
Company 58	2	3	2	1	1	1	1	1	3	1	3	3	3	2	2	3	3	2	2	2	9	10	8	8	6	2	2	1	1	1
Company 59	1	2	2	2	2	1	1	1	2	1	1	1	1	1	1	2	2	2	2	2	5	6	6	7	6	1	1	1	1	1
Company 60	3	2	3	2	2	1	1	1	2	1	3	2	2	3	2	5	5	4	4	4	12	10	10	11	9	2	2	2	2	2
Company 61	2	2	2	2	3	2	2	2	4	3	4	4	3	3	4	4	4	4	4	4	12	12	11	13	14	2	2	2	2	2
Company 62	4	3	3	3	3	2	1	1	2	2	2	2	2	2	2	4	3	3	3	3	12	9	9	10	10	2	2	2	2	2
Company 63	2	2	2	2	2	1	1	1	3	2	4	4	4	4	4	4	4	4	4	3	11	11	11	13	11	2	2	2	2	2