

# Distinctive Capabilities and its Impact on Strategic Orientation: The Case of Small and Medium Enterprises in Iraq<sup>1</sup>

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## SUMMARY

This research examines the role of Distinctive capabilities through its three dimensions (Architecture, Reputation and Innovation) on strategic orientation.

The study was applied in 34 small and medium enterprises in Iraq, and the questionnaire included 237 people who were randomly selected from corporate employees. After the data has been collected, it was analyzed in order to clarify the relationship between the factors.

The results of this study showed that Distinctive Ccapabilities has an impact on Strategic Orientation, and the hypotheses of this study were supported by further research in other countries and other forms of legal work to generalize the results.

**Keywords:** *Distinctive capabilities; Innovation; Strategic Orientation.*

## INTRODUCTION

Competition in small and medium enterprises in Iraq is fraught with risks; projects need to deal with enormous financial challenges as these institutions face enormous dilemma in attracting new customers. As the number of projects continues to rise, certain strategies must be used. The failure of these projects may endanger the general economy and the owners of the projects in particular. If SMEs are to compete more aggressively with large firms, they need to identify areas of competence on which successful resource-led strategies are based. Although many organizations have vision, it is important for project managers to have stronger realistic control. That projects should look at their system of activities and assess the value they add not only to current revenues but also to the future potential of the organization.

Each company acquires many capabilities that allow it to carry out the activities necessary to move its products or services along the value chain. Some will perform well, some will mediocre, but some must be superior if the company is to outperform the competition. It is the distinct abilities to underpin market positioning that are valuable and difficult to match. It must be managed with particular care through a targeted commitment of resources, the appointment of dedicated personnel and sustained efficiency (Day, 1994). The long-term profitability of the firm has been shown to be linked to the firm's ability to innovate in the literature of strategy, marketing, and economics. More recently, the marketing strategy literature has provided evidence that a firm's strategic orientation as a market-driven firm is an important predictor of its performance, including management's perception of the success of new products (Gatignon & Xuereb, 1997). To survive competition in this rapidly changing market, companies must develop market-based strategies that focus on strategic direction to guide their behaviors and activities. (Zhou & Li, 2007).

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This literature does not consider a firm's ability to implement its strategy as reflected in its planning system. There is also ample evidence of a relationship between strategic planning and organizational performance (Veliyath & Shortell, 1993). The social judgments by which stakeholders translate information about an organization into a particular reputation. Given the impact of heuristics and biases on the judgments and decision-making process of individuals and organizations, it stands to reason that these biases can also shape the way the reputation of the organization is formed and changed. It is important to examine the social cognitive processes involved in the formation and examination of organizational reputation (Mishina et al., 2012). The function of marketing is to gain complete knowledge of the market, create and provide valuable and excellent products and services to our target customers. A company that can meet market needs and anticipate the overall market situation has a longer competitive advantage and better profits. A company's innovation capabilities are essential factors that can help create distinctive creative capabilities and generate growth and profits (Lee, & Hsieh, 2010).

The main role of marketing in competitive strategy is innovation, which is considered a central concept in the search for differential advantage. Value-based differentiation strategies will guide the company's market research efforts, target market selection, product development processes, in-market communication programs, and delivery processes (Weerawardena, 2003). For companies competing in the global marketplace, innovations play an increasingly vital role in achieving superior performance. Customers are important relationship partners who possess unique information that can be useful to competitors (eg, related to services, marketing communications, new technology, and customer preferences) (Potočan, 2013).

Thus, in order to obtain clues on this issue, it seems interesting to us to analyze the relationship between distinct capabilities and strategic orientation of SMEs in order to observe whether such links exist and whether they occur in large firms. A resource-based view provides us with a framework for identifying the key internal and external factors that can be sources of sustainable competitive advantage for SMEs.

## **METHODOLOGY**

### **Research Problem**

In the context of determining the importance of distinctive capabilities and their impact on strategic orientation in organizations. The study attempts to answer the following main questions:

- What is the level of distinctive capabilities in small and medium enterprises in Iraq?
- What is the level of strategic orientation in small and medium enterprises in Iraq?
- What is the relationship between distinctive capabilities and strategic orientation?
- What is the impact of distinctive capabilities on strategic orientation?

### **Research Objectives**

- Determine the availability of distinctive capabilities in small and medium enterprises.
- Identify the availability strategic orientation in small and medium enterprises.
- Determine the type of relationship between distinctive capabilities and strategic orientation.
- Examining the effect relationship of distinctive capabilities in strategic orientation.

### **Research Importance:**

- The importance of distinctive capabilities as academic subject, as interest in small and medium enterprises increases every day.
- Provide a set of recommendations that contribute to highlighting the important role of distinctive capabilities.

- Contribute to highlighting the study of the issue of distinctive capabilities and its impact on strategic orientation in pursuit of economic openness.
- Contribute to knowing the reality of the distinctive capabilities of medium and small enterprises.

**Research hypotheses**

Therefore we propose the following hypotheses:

**H1:** There is a positive and significant influence of Distinctive capabilities on strategic orientation.

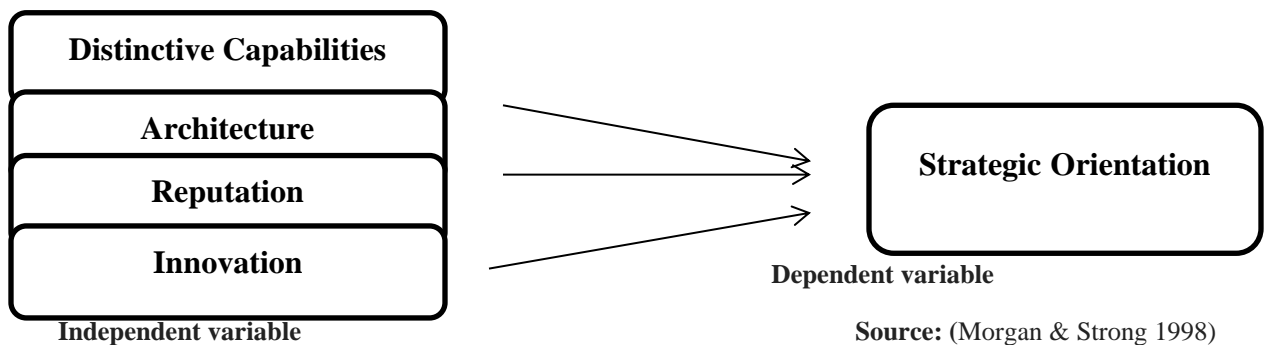
**H2:** There is a positive and significant impact of Architecture on strategic orientation.

**H3:** There is a positive and significant impact of Reputation on strategic orientation.

**H4:** There is a positive and significant impact of Innovation on strategic orientation.

**The Hypothetical Model of Research**

The model of this research demonstrates how the Distinctive Capabilities through its three dimension (Architecture, Reputation, and Innovation) on strategic orientation.



Source: (Ciptagustia, & Kusnendi, 2019)

**Research Design**

In this research, the researcher relied on the quantitative approach to test the hypothesis and answer the study questions by distributing questionnaires to the targeted employees in small and medium enterprises in Iraq. The researcher randomly chose 34 small and medium-sized enterprises to distribute 237 questionnaires to employees, and the questionnaires were distributed to employees using the random sample method. To measure the factors the Five Likert scale was used in which items of distinctive capabilities were taken from one of the studies (Ciptagustia & Kusnendi, 2019). The elements of the questionnaire about the strategic orientation were also taken from the study (Morgan & Strong, 1998).

**THEORETICAL REVIEW**

**Distinctive capabilities**

Distinctive Capabilities refer to those things which the organization does well in comparison with its competitors (Selznick, 1957). Moreover, it can be seen that these distinctive capabilities are interrelated and thus, in their collective form, successful companies depending on the type of their strategy show similarity in their strategic orientations (Ghosh et al., 2001). Where firms are experimenting with new ways of entering the market, and the innovator has 'market power' (eg, quality improvements or introduction of a new product) (Chandrashekar et al., 1999).

Distinctive Capabilities are an integrated set of skills and technologies for a business and are unique with knowledge-driven actions and behaviors that contribute to competitive advantage, as distinct skills developed throughout the entrepreneurial process such as the recognition of opportunities, the creative process and innovation (Awang et al., 2010) defines a company's distinctive capabilities or competencies as both tangible and intangible resources, consisting of financial, physical, human, technical, reputation and relationship resources to which the company has or has access equally (Man, 2009). Many researchers have pointed out that delivering products with services requires distinct capabilities that differ from those required to develop, sell, and manage the product alone. Therefore, many studies have been conducted to identify the distinctive capabilities of a successful service, such as service development, sales, alliances, and digitization (Kimita et al., 2022). The SME competitiveness perspective includes the language, experiences and active forces of the entrepreneurial creation process. The perspective adopted allows for a broader understanding of the complexities and ambiguities of managing SMEs in different socio-economic contexts. (Hardill et al., 1995). Each organization has its own unique concept of strategic capabilities. Capabilities in general are rare, and within the same manufacturers, each organization has its own, often different, capabilities. Additionally, capabilities are also relatively immobile, which means that the capability is more beneficial to one firm than the other and difficult for a competitor to imitate (Ahmad & Ramadan, 2018).

The research framework proposal is that there is an effect between distinctive capabilities and strategic orientation. Dimensions of distinctive capabilities include: 1) architecture, 2) reputation, and 3) innovation. (Ciptagustia & Kusnendi, 2019).

### **Architecture**

The concept of “organizational architecture” includes both the division of labor within the firm and the mechanisms of resource allocation and coordination between departments (Jacobides, 2006). Architecture is the relationship of relational contracts along with organizational, human and organizational resources with external organizations especially supplier, government, society and competitors (Ciptagustia & Kusnendi, 2019). The drive to adopt enterprise architecture within organizations. These include, for example, increasing organizational pressure, increasing pace and speed of business and opportunities for IT-driven change, and the growing need for integration within and among business organizations (van de Wetering, 2019). Quick and timely responses to customer requests often require the ability to quickly change and redesign existing organizational processes that create, produce, and deliver products and services to those customers (Hazen et al., 2017).

Enterprise architecture defines the current and desired future states of an enterprise's operations, capabilities, application systems, data, and IT infrastructure. Enterprise architecture services implement business strategy by directing the architecture of digital processes, business capabilities, application systems and databases that support or automate core business processes. (Shanks et al., 2018). Enterprise architecture aims to bridge the gap between business design, ICT, conceptual and operational departments by defining the configuration of systems from different perspectives. It often includes an outline of the existing and desired design and an overall plan to achieve part of it (Janssen, 2009).

The architecture also includes a set of high-level beliefs and standards that guide the consistent design and implementation of organizational processes and structures and the provision of information and technology within an organization (Fororthuis et al., 2016). On the organization architecture, the focus on reliability is balanced with the focus on viability of value creation effectiveness is also prioritized over efficiency: the architecture is driven by agility and flexibility in the face of change rather than operational improvement and business and IT alignment (Korhonen & Molnar, 2014) Enterprise architecture includes infrastructure, target architecture, and sequencing plan. The essence of enterprise architecture is to document the current and future states of the business and create a reasonable transition process from the current state to the future state so that any business can continue in a dynamic environment (Kotusev, 2019).

## **Reputation**

The concept of 'corporate reputation' has received attention because it captures the effects of brands and images on public assessments made by corporate stakeholders. The brand and image attributes are more or less appreciated by stakeholders. Therefore organizations with certain brands and image attributes develop more or less reputation. Thus 'reputation' can perform a useful function by measuring the overall esteem in which an organization is held by its constituents (Van Riel & Fombrun, 2007). The development of a firm's reputation can take a long time. It can be defined as an aggregation of all transactions and past activities over the life of the company and a larger picture of the company's image in a snapshot of time relates to its value. In terms of disruptive digital innovations, a company's reputation is a strength for incumbents compared to new entries, other than its capital and customer base (Alamsyah, 2018). The company's reputation as one of the current strengths Compared to new entries along with other capabilities such as capital and customer base, the company's reputation can also affect social and societal values and strengthen the competitive advantage as part of maintaining its competitive advantage, and all of these activities have been found in the formation of the company's reputation as one of the important factors on value creation for companies, especially regarding their intangible values such as organization and customer value to generate more income (Mihardjo & Alamsjah, 2019)

There is a long tradition in reputation research of seeing companies' reputations as reflections of their ability to meet the needs of their stakeholders on an ongoing basis. The public also builds a reputation from information available about a startup's activities from the companies themselves, from the media, or from other observers (Brammer et al., 2015). A good reputation is the most suitable for providing innovative products and reaching customers, and reputation is the competitive strategic determinant of company performance, with interactive functions across research, development and marketing, and that financial performance was the engine in building reputation, challenging conventional wisdom, despite the diversity of viewpoints on the role of reputation It is generally understood that there is a positive relationship between company reputation and company performance in terms of financial profit and market value performance (Kwon & Lee, 2019).

Reputation should be seen as a 'key differentiator' to gain a competitive advantage in the changing business environment. The importance of corporate image and identity to companies through the development of corporate advertising campaigns as a pivotal intangible asset that companies should not ignore. This can also be seen as a homogeneous identity that makes the organization distinctive and interesting (Abdullah, 2009).

## **Innovation**

Researchers define innovation as "a new idea, method, or tool" or "the process of introducing something new (Yasir & Bacaksiz , 2023). The phenomenon of "innovation" has a connotation of novelty: "Innovation is the generation, development, and adaptation of a new idea or behavior to the adopting organization." Success "the first successful application of a product or process and change: Innovation is viewed as a means of transforming the organization, either as a response to changes in the external environment or as a precautionary measure to affect the environment (Assink, 2006). Drivers of firm success in innovation include capacity firm on a sense of the market, effective research and development procedures, manufacturing and the right balance of organizational competencies (Sawhney et al., 2005). That firms create a competitive advantage by conceiving new ways of conducting activities in the value chain to deliver higher value to customers is an innovative act (Weerawardena, 2003).

Much has been written in the general literature about the importance of product or service innovations as a way to improve quality, revitalize mature businesses, enter new markets, and deal with competitive encroachments (Harrington, 2005).

Innovation gives the resource a new ability to create wealth. It generally needs to combine existing resources in a new and productive way. Innovation includes two stages, invention and marketing, where Porter believes that "marketing is the use of a new method (invention), and the innovation process cannot be separated from business strategies and the competitive environment. In other words, innovation is what an enterprise uses to integrate technology, organization, and market change so that it can survive and develop ( Lee & Hsieh, 2010).

The importance of innovation has been recognized conceptually but rarely examined empirically. There is empirical support for the positive relationship between competitive intensity and innovation, and innovation can occur in shortening the manufacturing cycle time and reducing the cost, and also by changing product design, product

diversification, and management process through restructuring of the organization (Man, 2009). All types of Innovations lead to sustainable competitive advantage. Although the literature indicates that innovations can occur in any value-creating activity, suggesting that it should be conceived to cover a wide range of activities, previous innovation research is biased towards technological innovation. However, firms Technological and non-technological innovations are made and all of these innovations can lead to a competitive advantage (Potocan, 2013). As it is a new combination of productive resources. Indeed, innovation is often a recombination of existing capabilities and resources, and it is no longer considered Innovation not as a specific outcome of individual actions, but rather as a problem-solving process (Moustaghfir & Schiuma, 2013).

Product innovation is a key factor in a company's competitive advantage and survival, and is particularly important in turbulent environments. It is an entrepreneurial process based on applying existing and new capabilities to bring a new product to the market. Thus, the interrelationships between capabilities, innovation, and firm performance are interesting to executives and researchers (Cabral et al., 2015).

### Strategic Orientation

Competitive strategy is synonymous with the term strategic orientation, which is defined as “how an organization uses strategy to adapt or change aspects of its environment for a more favorable alignment.” Strategic orientation is also categorized variously as strategic alignment, strategic readiness, strategic orientation, and strategic choice (Morgan & Strong, 1998). A firm's strategic orientation reflects the strategic orientation that a firm implements in order to create the appropriate behaviors for the continued superior performance of the business (Gatignon & Xuereb, 1997).

It is interesting to study how these resources and capabilities determine a firm's strategic operation, or whether the manner in which resources and capabilities are managed is affected by the firm's strategic orientation, and whether these bonds are similar to those between large firms. This leads us to identify the relationship between strategic orientation and firm performance, allowing us to analyze the competitive effects of resource use and intangible capabilities in relation to environmental influences (Aragón-Sánchez & Sánchez-Marín, 2005).

The strategic orientation reflects the company's philosophy on how to conduct business with a deeply rooted set of values and beliefs that guide the company's attempt to achieve superior performance. Strategic orientation for various fields, including market orientation, educational direction, entrepreneurial orientation, and technology direction, have been conceptualized. According to the resource-based view of the firm, strategic orientation represent valuable intangible capabilities that are difficult to imitate, and thus provide a sustainable competitive advantage (Kindermann et al., 2021). Where strategic orientation are aspects of corporate culture. Corporate or organizational culture represents intangible resources for companies. The deployment of these resources, that is, directions, will have different relative effects. Where strategic orientation focuses on resources to achieve desired results ( Grawe et al., 2009).

Therefore, comparative models enable assessment of strategic orientation, not across various strategy classifications but, instead, along dimensions of competitive strategy. The theoretical bases underlying these dimensions of strategic orientation are proposed six traits of competitive strategy: (1) aggressiveness; (2) analysis; (3) defensiveness; (4) futurity; (5) proactiveness; and (6) riskiness (Morgan & Strong, 1998).

**Aggressive dimension:** Exploitation and rapid development of resources with clear sales guidance (Heine et al., 2016). This dimension reflects the way the company allocates its resources to improve its position in the market at a somewhat faster pace than its competitors. The goal is to gain a larger market share than competitors, which can occur through cost leadership strategy, explosion and expansion (eg, short-term improvement of competitive position), innovation, or pricing differentiation (Espino-Rodríguez & Ramírez-Fierro, 2018).

**Analysis dimension:** is seen as representing a holistic problem-solving approach to strategic decision-making which has led to attempts to secure a fuller understanding of issues in both organizational and environmental contexts. Moreover, this dimension refers to the nature of the internal systems used in the implementation of the competitive strategy to achieve the desired objectives, the analysis is critical to ensure the achievement of "alignment" between the organization's strategy and its environment ( Morgan & Strong, 1998).

**Defensiveness dimension:** reflects the behaviors that aim to protect the company's position in the market and an attempt to develop it in any way (Venkatraman, 1989). Or is the extent to which an organization engages in activities to improve its efficiency in business operations in an effort to maintain its potential scope. A company that competes by reducing cost will engage in defense as well as market or environmental activities that help the company maintain its field and compete by establishing and maintaining strong customer relationships is defensive. (Johnson & Lederer, 2010).

**Futurity dimension:** reflects the focus on the company's long-term considerations. Long-term vision is a strategic necessity for securing a competitive advantage in a turbulent market (Jalali, 2012). Strategic management prescriptions emphasize the conceptual link between perception and business performance. Despite the limitations of finite instability, non-linear planning, and environments anarchistically, regulatory readiness maintains a role not only in reducing firms' anxiety about competitive futures but also in providing a foothold for understanding the pattern, shape and extent of potential change in industry and market competition and its associated impacts (Morgan & Strong, 2003).

**Proactiveness dimension:** refers to activity behavior in participating in emerging industries and the constant search for market opportunities in relation to changing market trends (Alryalat et al., 2017). This dimension describes the interest of firms in the constant search for new opportunities in market and experience responses to changing market conditions, and thus reflects firms' interest in setting market rules and guiding its evolution (Vijande et al., 2005).

**Riskiness dimension:** reflects the seriousness of the company. This is reflected in his selection and resource allocation decision criteria and general pattern of decision-making. Firms with high-risk strategies may trade with lower-than-expected profits (Ogbari et al., 2018). For risk-oriented firms, the decision to take a risk will significantly change the structures of the organization by allocating resources. Risk oriented companies may have robust risk management systems in place to assist in risk recovery. Therefore, decision making to respond will be easy and quick (Ding & Chung, 2014).

## FINDINGS

Through this topic, the effect of the independent variable (Distinctive Capabilities) on the dependent variable (Strategic Orientation) will be identified, and the hypotheses will be tested after ensuring that the data is distributed normally and there is internal consistency as well as stability, so the statistical program (SPSS) will be used by testing two methods. the simple and multiple regression of the relationship between the two main variables, while the multiple regression to test the sub-hypothesis and the results of the test are as follows:

**Table 1. Descriptive Statistics**

Factor's Name	item	Mean	Std. Deviation	Skewness	Kurtosis	Factor Loading	Cronbach's Alpha
Architecture	a1	3.23	1.20	-0.13	-0.91	0.52	0.72
	a2	3.14	1.28	0.00	-1.13	0.59	
	a3	2.89	1.12	0.01	-1.06	0.76	
	a4	3.11	1.26	-0.06	-1.19	0.79	
	a5	3.48	1.31	-0.28	-1.34	0.74	
	a6	2.98	1.39	0.14	-1.33	0.84	
	a	3.14	0.76				
Reputation	b1	3.17	1.37	-0.08	-1.49	0.78	0.83
	b2	3.27	1.40	-0.15	-1.45	0.83	
	b3	3.21	1.27	-0.11	-1.07	0.85	
	b4	3.24	1.54	-0.21	-1.53	0.88	

	b	3.22	1.14				
Innovation	c1	3.43	1.29	-0.25	-1.31	0.80	0.77
	c2	3.09	1.27	-0.18	-0.95	0.86	
	c3	2.94	1.19	0.11	-1.07	0.86	
	c4	3.12	1.21	-0.40	-0.75	0.73	
	c5	3.22	1.31	-0.15	-1.44	0.96	
	c	3.16	0.90				
<b>Distinctive capabilities</b>	x	3.17	0.82	-0.19	-0.20	1.00	
Aggressiveness	d1	3.14	1.32	-0.13	-1.05	0.81	0.70
	d2	2.85	1.36	-0.10	-1.32	0.77	
	d3	2.90	1.29	0.04	-1.30	0.75	
	d4	3.66	1.25	-0.43	-1.22	0.91	
	d	3.14	0.94				
Analysis	e1	3.12	1.29	0.10	-1.29	0.87	0.83
	e2	3.22	1.31	-0.15	-1.44	0.96	
	e3	3.44	1.31	-0.29	-1.35	0.86	
	e4	3.30	1.19	-0.23	-0.84	0.84	
	e5	3.38	1.50	-0.37	-1.40	0.87	
	e	3.29	1.03				
Defensiveness	f1	3.46	1.19	-0.26	-1.26	0.90	0.72
	f2	3.70	1.22	-0.48	-1.11	0.87	
	f3	3.25	1.35	-0.05	-1.41	0.85	
	f4	3.20	1.34	-0.17	-1.43	0.88	
	f5	3.43	1.32	-0.26	-1.40	0.86	
	f	3.41	0.89				
Futurity	g1	3.26	1.23	-0.26	-0.95	0.81	0.78
	g2	3.57	1.44	-0.55	-1.19	0.85	
	g3	3.58	1.21	-0.40	-1.18	0.83	
	g4	3.52	1.29	-0.30	-1.32	0.88	
	g5	3.01	1.37	0.12	-1.30	0.86	
	g	3.39	0.96				
Proactiveness	h1	3.21	1.35	-0.13	-1.46	0.93	0.82
	h2	3.32	1.37	-0.23	-1.39	0.85	
	h3	3.09	1.27	0.13	-1.09	0.87	
	h4	3.07	1.56	0.06	-1.61	0.85	
	h5	2.95	1.35	0.29	-1.43	0.82	
	h	3.13	1.05				



Riskiness	i1	3.22	1.37	0.10	-1.58	0.89	0.71
	i2	3.04	1.26	0.16	-1.09	0.78	
	i3	3.38	1.50	-0.22	-1.56	0.86	
	i4	3.34	1.30	0.01	-1.56	0.87	
	i	3.25	1.00				
<b>Strategic orientation</b>	y	3.27	0.81	-0.08	-0.56	1.00	

Based on the values of the above table, it can be seen that the individual values of the factor load items are more than 0.50, and the results of Cronbach's reliability analyzes are more than 0.70, and also indicate that the values of skewness and kurtosis for each factor of the study are between -3 and +3. It is clear from the previous data that all questions of the questionnaire are characterized by stability, as the correlation between all vertebrae is positive and there is no evidence that their displacement leads to increased stability. It can also be said that the sample data distribution is normal for each factor and that this data is suitable for analysis.

**Table 2.** The correlation coefficient between the dimensions of the study

	Architecture	Reputation	Innovation	Aggressiveness	Analysis	Defensiveness	Futurity	Proactiveness	Riskiness
Architecture	<b>1</b>								
Reputation	<b>.658**</b>	<b>1</b>							
	<b>.000</b>								
Innovation	<b>.677**</b>	<b>.658**</b>	<b>1</b>						
	<b>.000</b>	<b>.000</b>							
Aggressiveness	<b>.672**</b>	<b>.711**</b>	<b>.787**</b>	<b>1</b>					
	<b>.000</b>	<b>.000</b>	<b>.000</b>						
Analysis	<b>.213**</b>	<b>.251**</b>	<b>.546**</b>	<b>.281**</b>	<b>1</b>				
	<b>.001</b>	<b>.000</b>	<b>.000</b>	<b>.000</b>					
Defensiveness	<b>.280**</b>	<b>.325**</b>	<b>.567**</b>	<b>.460**</b>	<b>.780**</b>	<b>1</b>			
	<b>.000</b>	<b>.000</b>	<b>.000</b>	<b>.000</b>	<b>.000</b>				
Futurity	<b>.176**</b>	<b>.284**</b>	<b>.409**</b>	<b>.344**</b>	<b>.768**</b>	<b>.892**</b>	<b>1</b>		
	<b>.007</b>	<b>.000</b>	<b>.000</b>	<b>.000</b>	<b>.000</b>	<b>.000</b>			
Proactiveness	<b>.224**</b>	<b>.182**</b>	<b>.535**</b>	<b>.210**</b>	<b>.854**</b>	<b>.752**</b>	<b>.704**</b>	<b>1</b>	
	<b>.001</b>	<b>.005</b>	<b>.000</b>	<b>.001</b>	<b>.000</b>	<b>.000</b>	<b>.000</b>		
Riskiness	<b>.176**</b>	<b>.279**</b>	<b>.400**</b>	<b>.258**</b>	<b>.716**</b>	<b>.831**</b>	<b>.834**</b>	<b>.763**</b>	<b>1</b>
	<b>.006</b>	<b>.000</b>	<b>.000</b>	<b>.000</b>	<b>.000</b>	<b>.000</b>	<b>.000</b>	<b>.000</b>	

**\*\*.** Correlation is significant at the 0.01 level (2-tailed).

The results of the correlation analysis should be between -1 and +1. When the value is negative, this indicates a negative correlation between the two factors. When the value is positive, this indicates a positive relationship between the two factors. A correlation is strong when its value is close to -1 or +1 and weak when its value is close to zero.

The results in the above table showed that the correlation is positive and significant at the level of 0.01.

**Table 3.** Regression analyze results

Dependent Variables	Independent Variables	$\beta$	t	P VALUE	$R^2$	F
Strategic orientation	(Constant)		8.983	.000		
	Distinctive capabilities	.527	9.499	.000	.274	90.225

The value of the effect ( $\beta$ ) of Distinctive Capabilities on Strategic orientation reached (.527) which is a positive and significant relationship because the calculated value (t) of (9.499) is more than the tabular value (t) of (1.96) in addition to the p-value (.000) which is less than the level of significance (.05), so we reject the null hypothesis and accept the hypothesis (**H1**).

The coefficient of determination ( $R^2$ ) for Distinctive capabilities reached (.21) and this explains the variation in Strategic orientation by (.21) and the rest (.79) is due to factors not included in the study, which is acceptable ratio because the calculated value (F) reached (90.225) which is more than its tabular value (3.48).

**Table 4.** Regression analyze results

Dependent Variables	Independent Variables	$\beta$	t	P VALUE	$R^2$	F
Strategic Orientation	(Constant)		9.609	.000	.428	59.791
	Architecture	.184	2.535	.012		
	Reputation	.025	.353	.724		
	Innovation	.755	10.416	.000		

The value of the effect ( $\beta$ ) of Architecture on Strategic orientation reached (.184) which is a positive and significant relationship because the calculated value (t) of (2.535) is more than the tabular value (t) of (1.96) in addition to the p-value (.012) which is less than the level of significance (.05) we reject the null hypothesis and accept the hypothesis (**H2**), and the value of the effect ( $\beta$ ) of Reputation on Strategic orientation reached (.025), which is a positive and significant relationship because the calculated value (t) of (0.353) is less than the tabular value (t) of (1.96) in addition to the p-value (.724) which is more than the level of significance (.05) so we reject the hypothesis (**H3**) and accept the null hypothesis, and the value of the effect ( $\beta$ ) of Innovation on Strategic orientation reached (.755) which is a positive and significant relationship because the calculated value (t) of (10.416) is more than the tabular value (t) of (1.96) in addition to the p-value (.000) which is less than the level of significance (.05), so we reject the null hypothesis and accept the hypothesis (**H4**).

The coefficient of determination ( $R^2$ ) for architecture, reputation and innovation reached (.43) and this explains the variation in Strategic orientation by (.43) and the rest (.57) is due to factors not included in the study, which is acceptable ratio because the calculated value (F) reached (59.791) which is more than its tabular value (2.60).

## CONCLUSION

Whereas, the hypothesis is supported that outstanding capabilities affect the strategic direction positively and significantly where the p-value is less than 5%. And by analyzing the rates of description, correlation, and regression, we conclude that interest in enterprise architecture through building relational contracts along with organizational and human resources as well as organizational with external organization, especially supplier, government, society, and competitors for current and desired future cases of enterprise operations, capacity increase, application systems, data, and information technology infrastructure. and focus on business strategy by directing the creation of digital processes, business capabilities, application systems, and databases that support or automate the organization's core business processes. In addition to bridging the gap between corporate, ICT, conceptual and operational design departments.

Also, through analysis, found that concern for reputation is a key differentiator to gain competitive advantage in the changing business environment. And the importance of corporate image and corporate identity through the development of corporate advertising campaigns as a pivotal intangible asset that companies should not ignore through a homogeneous identity framework that makes the organization distinctive and interesting.

Also found that companies that care about innovation, which is a major factor in the competitive advantage of the company and its survival through a pioneering process that depends on applying current and new capabilities to introduce a new product to the market and paying attention to the interrelationships between capabilities, innovation and the performance of companies that need attention from executives and researchers.

## RECOMMENDATIONS

In light of the findings of the current research, the researchers made recommendations, the most important of which are:

Because all relationships have a positive and essential impact on Distinctive capabilities, which in turn affects the element of strategic orientation, so owners of companies who want to increase customer satisfaction and the overall performance of the company must give importance to training, development and increasing distinctive capabilities by creating a structure capable of excellence and building the advantage competitiveness, as well as concern for the reputation of the organization and support for innovation efforts, as it falls on companies that try to invest in the individual and focus on entrepreneurship, making efforts in effective planning at the level of organizations as a whole and the interest of executives to formulate a vision for the organization.

Emphasis on more studies and scientific research on the variables of the current research, and future research can be studied in different countries and companies according to the work and larger samples can be selected.

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