Strategic Fit as an Antecedent of Firm Performance: Evidence from Review of Literature

Mary Muthoni Kiarie
mariekiarie83@gmail.com
Department of Business Administration
School of Business, Economics & Tourism
Kenyatta University

Dr. Godfrey Muigai Kinyua
kinyua.godfrey@ku.ac.ke
Department of Business Administration
School of Business, Economics and Tourism
Kenyatta University

ABSTRACT

Strategic fit is the alignment between a firm's internal resources and external opportunities, crucial for enhancing performance. Firms that achieve this alignment are more likely to optimize resource allocation and improve competitiveness, with studies indicating that high strategic fit can lead to a 12% increase in overall performance. Companies excelling in these areas can achieve up to 30% higher profit growth, underscoring their importance in today's competitive environment. This study explores the intricate relationships among strategic fit, and firm performance, establishing a comprehensive conceptual framework that defines key terms and emphasizes the critical role of strategic fit between an organization's internal resources and external market demands. It highlights that effective strategic fit is essential for enhancing overall firm performance, delving into dimensions such as agility in strategy implementation, strategic consistency, internal resources, and environmental uncertainty. The theoretical literature is examined, discussing relevant theories like strategic alignment theory and dynamic capabilities theory to illustrate how organizations adapt to changing environments and maintain competitiveness. Additionally, the significance of strategic fit in driving firm performance is explored, with an emphasis on aligning organizational resources, capabilities, and strategies to meet the demands of the external environment. An empirical review highlights how strategic fit enhances operational efficiency and overall performance across industries. The proposed conceptual model shows that aligning internal resources with external opportunities enables firms to adapt and innovate, fostering sustainable success. It emphasizes that strategic fit is essential for maintaining relevance and effectiveness, especially in the face of environmental uncertainty and market volatility.

Keywords: ***Implementation Agility, Strategic Consistency, Internal Resources, Environmental Uncertainty***

1.0 Introduction

Strategic fit refers to the alignment between a firm's internal resources, capabilities, and external opportunities and threats, and its significance for firm performance is widely acknowledged. The central idea is that organizations that can effectively tailor their strategic responses to internal strengths while also leveraging external opportunities will perform better (Venkatraman & Camillus, 2019). Firms that fail to develop strategic fit hinder their resource utilization, which may lead to poor market performance and weak financial outcomes. Literature indicates that strategic fit within organizations is positively correlated with the likelihood of success. For instance, a study by Johnson et al. (2020) found that companies that aligned their strategies with operational capabilities achieved 12% better overall performance than companies with misaligned strategies. This suggests that strategic fit plays a crucial role in fostering success across various industries, enabling firms to utilize their resources efficiently to meet market demands.

Strategic fit is often linked to the capacity of a firm to achieve and maintain strong performance outcomes. Companies with well-aligned strategies and resources are able to better address market challenges, leading to improved productivity, profitability, and market share. As industries continue to evolve, firms with a higher degree of strategic fit can adapt more efficiently to external changes, positioning themselves for long-term growth (Nguyen et al. 2021). This adaptability allows them to not only stay competitive but also innovate in response to changing consumer demands and technological advancements. Organizations that can adjust to these shifts are more likely to sustain high performance, while those with poor strategic alignment risk falling behind.

Recent studies continue to reinforce the importance of strategic fit for firm performance. For example, research by Ahmed and Nasir (2022) demonstrated that firms that maintain strategic fit gained a 10% market share advantage over those that do not. Additionally, organizations that continuously monitor and adapt their strategies to align with shifting market dynamics tend to have more enduring performance success. A strong strategic fit enables companies to optimize their resource allocation, streamline operations, and respond quickly to emerging trends (Kanter, 2019). This continuous alignment fosters both operational efficiency and the ability to capitalize on new business opportunities.

Moreover, strategic fit allows firms to make better-informed decisions regarding investments, product development, and market expansion. By ensuring their internal capabilities are aligned with the external environment, organizations can create more value for stakeholders and improve their competitive positioning. Studies also show that firms with high strategic fit are more resilient in times of economic downturns, as they are better equipped to adjust their operations and maintain performance levels despite external pressures (Huang & Li, 2021). Companies that focus on achieving strategic alignment across all areas of their business, be it marketing, operations, or financial planning, are more likely to achieve long-term success and sustainability. A commitment to leadership, talent development, and market responsiveness is a requirement for success in a dynamic, complex, and evolving organization. A recent study by Smith et al. (2021) also reported that in organizations with stable management teams, the firms' (their) capacity to change more readily to market changes increased by 25%. This capacity to quickly adapt to shifts in the competitive environment supports firms and ensures strategic fit over the long term. Furthermore, significant focus by management on continuous improvement, innovation and strategy implementation has been related to better financial performance for the companies with the specific companies able to achieve up to 18% higher return on investment (ROI) when compared to nondedicated companies (Jones & Wang, 2022). Thompson and Li (2023) performed a crossindustry test and the results showed that companies with higher strategic fit showed 30% better profit growth over 5 years than companies below average on one or more metrics. In addition, firms which perform well in these three dimensions are more prepared for weathering economic downturns, change instigated by technological innovation, or to take advantage of emerging market opportunities. This tells how significant these factors are in maintaining a high level of good firm performance and longevity in the dynamic, highly competitive global environment.

2.0 Statement of the Problem

Due to the dynamic and competitive nature of today's business environment, firms aiming to improve performance and maintain strategic consistency face numerous challenges. Many organizations struggle to align their internal resources and capabilities with external opportunities, resulting in a strategy mismatch that negatively impacts overall performance. When firms experience strategic misalignment, they are at risk of inefficient resource utilization, weakened market presence, and poor operational performance. Research indicates that firms with poor strategic fit often underperform and fail to capitalize on emerging opportunities within their industries (Johnson et al., 2020). As organizations become increasingly misaligned, they face difficulty in navigating evolving market conditions, hindering their ability to adapt to consumer preferences or technological innovations.

The lack of strategic fit can lead to operational inefficiencies, where firms are unable to effectively allocate resources or optimize processes to respond to market demand. Such inefficiencies can manifest in areas like production, marketing, and financial management, ultimately impeding the firm’s overall performance. Companies that do not achieve strategic alignment between their internal and external environments may experience lower profitability, diminished growth potential, and an inability to maintain customer satisfaction. A study by Ahmed and Nasir (2022) found that firms with higher strategic fit experienced a 10% increase in market share compared to those with lower strategic alignment. This highlights how strategic misalignment can directly affect a firm's ability to grow and sustain performance in a competitive environment.

One of the critical gaps in understanding the relationship between strategic fit and firm performance is the lack of sufficient research into how different types of strategic fit (e.g., operational, technological, or market fit) impact specific performance metrics. While it is clear that strategic fit influences firm outcomes, studies have yet to comprehensively address how different forms of fit interact with each other to shape long-term performance. Further research is also needed to explore the temporal effects of strategic fit, whether immediate alignment leads to short-term success, or if sustained alignment over time is necessary for enduring performance. Additionally, much of the literature on strategic fit tends to focus on qualitative assessments, often overlooking quantitative measures that can provide more concrete evidence of how strategic alignment influences financial performance. For example, a study by Thompson and Li (2023) showed that firms with a high degree of strategic fit achieved 30% better profit growth over five years compared to firms with lower strategic alignment. These statistics suggest that aligning strategy and resources is not just an abstract concept but directly correlates with measurable improvements in performance.

Moreover, there is a lack of industry-specific research that could provide deeper insights into how strategic fit varies across different sectors. A gap exists in understanding how industries with fast-changing dynamics, such as technology or healthcare, require different approaches to achieving strategic fit compared to more stable industries like utilities or manufacturing. The findings from diverse industries can help tailor strategies that enhance firm performance more effectively in different contexts.

3.0 Objective of the study

To review conceptual, theoretical as well as empirical literature on the relationship between strategic fit and firm performance with the view of identifying the knowledge gaps that may form the basis for future studies.

4.0 The Concept of Firm Performance

The concept of firm performance has long been a focal point of interest in both academia and business practice. Historically, the evaluation of firm performance was largely centered around financial measures such as profitability, return on investment (ROI), and market share. However, the broader understanding of firm performance has evolved over the decades, expanding to incorporate non-financial metrics and a more holistic view of what constitutes a firm's success. The early models of firm performance were largely influenced by the works of economists and business scholars who emphasized the importance of maximizing profits and minimizing costs as primary indicators of a firm's success. By the 1960s, this perspective was challenged by the resource-based view (RBV) of the firm, which suggested that firm performance could not solely be explained by financial metrics but also depended on the strategic management of resources (Barney, 1991). The RBV emphasized that unique and inimitable resources and capabilities, such as organizational culture, technological know-how, and managerial expertise, played a crucial role in determining a firm's performance and long-term success (Wernerfelt, 1984). By the 1980s and 1990s, scholars such as Porter (1985) argued that competitive strategy and firm performance were interconnected, suggesting that firms that could align their strategies with the market environment were more likely to sustain superior performance.

The development of performance measurement tools evolved significantly with the integration of more complex and comprehensive models. A turning point in the evolution of firm performance measurement occurred in the 1990s with the introduction of the Balanced Scorecard (Kaplan & Norton, 1992). This framework allowed for a more comprehensive approach to measuring firm performance by incorporating financial, customer, internal process, and learning and growth perspectives. The Balanced Scorecard enabled firms to look beyond financial outcomes and assess the effectiveness of their strategies in creating value for customers, employees, and other stakeholders (Kaplan & Norton, 1996). Following the Balanced Scorecard, there was a shift towards performance measurement systems that incorporated both lagging and leading indicators of performance. For example, studies by Neely et al. (2000) highlighted that leading indicator, such as employee satisfaction and innovation capabilities, were crucial predictors of future firm performance. This understanding further shaped how firms assessed their operational effectiveness, and it introduced a paradigm where performance was seen as the result of multiple interacting factors, including market conditions, internal capabilities, and external challenges.

In recent years, the concept of firm performance has continued to evolve, influenced by globalization, technological advancements, and the increasing importance of sustainability. A growing body of research has focused on non-financial performance indicators, such as corporate social responsibility (CSR), sustainability practices, and environmental performance, arguing that these dimensions contribute significantly to a firm's long-term success (Porter & Kramer, 2011). Furthermore, as the business environment has become increasingly dynamic and uncertain, scholars like Teece (2014) have emphasized the role of organizational agility in enhancing firm performance. Agility allows firms to adapt quickly to changes in the market, respond to customer needs more effectively, and make real-time decisions. The research on dynamic capabilities has further refined the understanding of firm performance by suggesting that firms' ability to reconfigure their resources and capabilities in response to environmental changes is key to achieving superior performance (Teece, 2007). The integration of digital technologies has also been recognized as a major driver of firm performance, with companies leveraging data analytics, artificial intelligence, and automation to enhance decision-making processes and operational efficiency (Brynjolfsson & McAfee, 2014). As the business landscape continues to evolve, firm performance metrics have become increasingly sophisticated, incorporating both traditional financial metrics and emerging non-financial indicators that capture a more comprehensive view of organizational success.

4.1 Perspectives of Firm Performance

Firm performance is evaluated through multiple lenses that provide distinct, yet interconnected, insights into an organization's overall success. Key perspectives include financial ratios, customer satisfaction, balanced scorecards, process improvement, and employee engagement. Each of these perspectives offers a unique measure of performance that, when collectively examined, can deliver a more comprehensive view of a firm's health and growth potential. Among these, financial ratios remain one of the most common and tangible metrics. They allow businesses to evaluate operational efficiency, profitability, and financial stability, offering insights into how well the company is using its resources to generate value. Financial ratios like Return on Assets (ROA), Return on Equity (ROE), and Gross Profit Margin are vital for investors and management to assess business performance (Anderson, 2020). According to a study by Gupta and Kumar (2018), firms with higher liquidity ratios and better profitability metrics tend to have more robust stock performances, signaling better overall firm performance. In addition, these ratios help stakeholders make informed decisions, ensuring that financial strategies align with long-term goals.

Customer satisfaction is another crucial element in evaluating firm performance. As markets become more competitive, businesses are increasingly focusing on customer experience as a way to differentiate themselves from competitors. A satisfied customer is not only more likely to return but can also become an advocate for the brand, spreading positive word-of-mouth and influencing new customers. Studies by Zeithaml, Bitner, and Gremler (2020) indicate that companies with high customer satisfaction ratings are more likely to achieve higher customer loyalty, which in turn drives repeat purchases and long-term profitability. For example, in the context of the retail industry, a 10% increase in customer satisfaction can lead to an 8% increase in customer retention, as demonstrated in research by Chang and Wu (2019). This connection between customer satisfaction and firm performance is critical in today's customer-centric business environment. Moreover, customer satisfaction indices, such as the American Customer Satisfaction Index, serve as benchmarks for companies to measure and track customer sentiment and drive improvements across service and product offerings.

The balanced scorecard is another contemporary framework used to evaluate firm performance. Developed by Kaplan and Norton (1996), the balanced scorecard incorporates both financial and non-financial perspectives, including customer, internal processes, and learning and growth. This holistic approach enables firms to track their performance across multiple dimensions rather than focusing solely on financial outcomes. A study by Fenton-O'Creevy et al. (2020) illustrates how companies using the balanced scorecard saw improvements in strategic fit and long-term profitability. The balanced scorecard's customer perspective focuses on customer satisfaction and retention metrics, while its internal processes perspective emphasizes operational efficiency and process improvements. Furthermore, the learning and growth perspective underscores the importance of employee development and organizational knowledge as key drivers of sustained firm performance. A well-executed balanced scorecard can provide managers with the insights necessary to make data-driven decisions that lead to sustainable growth.

Process improvement initiatives are closely linked with firm performance. The continuous improvement of business processes leads to enhanced operational efficiency, reduced costs, and better-quality products or services. Companies like Toyota have long relied on process improvement methodologies such as Lean and Six Sigma to drive superior performance. A study by Choi et al. (2021) found that firms that invested in process improvement saw an average reduction of 20% in operational costs, resulting in improved profit margins. Process improvement is not only beneficial for cost reduction but also enhances customer satisfaction by improving product quality and delivery times. Additionally, process improvements are critical in maintaining agility in a dynamic market environment. According to Tushman and O'Reilly (2020), organizations that are able to continuously improve their internal processes tend to outperform competitors that fail to adapt to market demands, underscoring the significance of maintaining efficient and flexible operations in boosting firm performance.

Employee engagement and motivation are also vital for the overall performance of an organization. Engaged employees are more productive, committed to organizational goals, and less likely to leave the company, resulting in lower turnover rates and associated costs. Research by Saks (2019) highlights a strong correlation between employee engagement and customer satisfaction, which in turn affects firm performance. Engaged employees are more likely to provide exceptional service, foster a positive work environment, and contribute to innovation. A study by Harter et al. (2020) found that firms with highly engaged employees had 21% higher profitability and 17% higher productivity. Employee motivation is also a key determinant in this equation, with motivated employees driving business results through increased innovation and higher performance levels. Therefore, investing in employee well-being and motivation is not only beneficial for individuals but is also critical for the firm's bottom line.

Firm performance is multifaceted and must be measured across various dimensions to fully understand an organization's health and growth potential. Financial ratios provide a quantitative approach to assessing profitability and efficiency, while customer satisfaction serves as a predictor of future revenue and loyalty. The balanced scorecard offers a broader view by integrating multiple perspectives, including internal processes and employee development, to drive sustainable growth. Process improvement initiatives help companies enhance their operational efficiency, reducing costs and improving customer satisfaction. Finally, employee engagement and motivation are essential for fostering a productive and innovative workforce that contributes to the overall success of the organization. As businesses continue to face increasing competition, these perspectives of firm performance will remain vital in ensuring long-term success and profitability.

4.2 Measurement of Firm Performance

In the contemporary business landscape, measuring firm performance is paramount for understanding an organization's standing within its industry and for identifying areas requiring improvement. Among the various metrics employed to assess a firm's success, financial ratios remain one of the most critical indicators. These ratios provide a quantitative basis for evaluating a company's financial health and operational efficiency. Common financial ratios such as Return on

Investment (ROI), Return on Equity (ROE), and the current ratio allow businesses to gauge profitability, liquidity, and overall financial stability (Palepu & Healy, 2020). Financial ratios are not only essential for internal performance evaluation but also serve as a tool for comparing a company with its competitors. For instance, the profitability ratio (i.e., net profit margin) provides insight into a company's ability to generate earnings relative to its revenue, expenses, and shareholders' equity. Furthermore, financial ratios guide strategic decisions by helping identify which areas need attention, whether in cost management or capital efficiency, ensuring that companies remain competitive and sustainable in a challenging business environment (Brigham & Ehrhardt, 2016).

Customer satisfaction has increasingly become an essential indicator for firms seeking to evaluate their performance, particularly in service-based industries. Lord Kelvin's famous saying, "If you cannot measure something, you cannot understand it," underscores the importance of measuring customer satisfaction for business success (Gerson, 2016). Satisfaction is a key driver of customer loyalty, which, in turn, leads to repeat business and positive word-of-mouth, contributing to long-term profitability (Evangelos & Yannis, 2018). Businesses employ various methods to measure customer satisfaction, including surveys, feedback forms, and Net Promoter Scores, which offer valuable insights into consumer preferences, expectations, and experiences. For example, research by Zeithaml et al. (2017) highlights that customers evaluate service quality based on their perceptions of product features, service delivery, and overall interaction with the brand. A satisfied customer is more likely to engage in repeat purchases and recommend the brand to others, thus bolstering customer retention and enhancing the company's reputation. Notably, customer satisfaction measurement provides organizations with the opportunity to identify market opportunities, monitor their position relative to competitors, and design targeted strategies to improve service delivery, thereby fostering customer loyalty and growth (Evangelos & Yannis, 2018).

Another crucial measure of firm performance is the balanced scorecard perspective, which provides a holistic view of an organization's performance. Developed by Kaplan and Norton (1992), the balanced scorecard integrates both financial and non-financial metrics to evaluate a company's performance across four key perspectives: financial, customer, internal processes, and learning and growth. This comprehensive approach helps organizations not only measure financial outcomes but also monitor customer satisfaction, internal process efficiency, and employee development. The financial perspective typically involves traditional metrics like profitability and cost management, while the customer perspective focuses on satisfaction, retention, and loyalty, as discussed earlier. Internal process metrics assess the efficiency and quality of operations, and learning and growth evaluate the organization's ability to innovate and develop its workforce (Kaplan & Norton, 1992). The balanced scorecard framework, thus, enables managers to align strategic objectives with performance metrics across various dimensions, providing a more comprehensive understanding of the factors that contribute to firm performance. Furthermore, it helps companies make data-driven decisions to enhance all aspects of their operations, from customer relations to internal processes, ensuring long-term success (Kaplan & Norton, 2016).

Employee engagement and motivation also play a pivotal role in measuring firm performance. Highly engaged employees are more likely to contribute to higher productivity, reduced turnover, and improved customer satisfaction, which directly impacts the organization's bottom line (Aguinis, 2019). Employee engagement can be assessed through surveys, performance reviews, and feedback systems that gauge job satisfaction, commitment to the company, and alignment with organizational goals. A study by Harter et al. (2020) found a strong correlation between employee engagement and organizational performance, highlighting that engaged employees are more productive, innovative, and likely to provide superior customer service. Motivated employees, driven by clear goals, recognition, and opportunities for career development, tend to perform at higher levels, positively impacting the firm's overall performance. Firms that invest in employee satisfaction through engagement programs are not only enhancing individual performance but are also fostering a culture of collaboration, leading to higher levels of innovation and process improvement (Harter et al., 2020).

Measuring firm performance requires a multifaceted approach that incorporates various indicators such as financial ratios, customer satisfaction, the balanced scorecard perspective, and employee engagement. Each of these measures provides unique insights into a company's operational efficiency, customer relations, and internal processes. Financial ratios offer a snapshot of a company's financial health, while customer satisfaction and loyalty serve as critical drivers of long-term success. The balanced scorecard provides a strategic framework for aligning performance across key areas, and employee engagement ensures that the workforce is motivated to contribute to the company's goals. By integrating these performance indicators into their strategic planning, businesses can gain a comprehensive understanding of their strengths and weaknesses, allowing them to make informed decisions that drive sustained success. Moreover, as the business environment becomes increasingly competitive, the ability to effectively measure and manage firm performance will continue to be a crucial determinant of a company's ability to thrive and grow.

5.0 The Concept of Strategic Fit

Strategic fit has been a cornerstone concept in strategic management for several decades, evolving through different schools of thought and adapting to new business realities. The term "strategic fit" refers to the alignment between an organization's strategy and its internal resources, capabilities, and the external environment. Over time, researchers have emphasized various dimensions of strategic fit, particularly focusing on its role in maintaining firm performance and fostering agility in strategy execution (Harter et al., 2020). The concept of strategic fit first gained prominence in the 1960s and 1970s with the emergence of the strategy-as-fit school of thought, which posited that a firm's strategy must align with its internal and external environments to achieve success (Ansoff, 1965). Ansoff's work on corporate strategy and his development of the Ansoff Matrix made a significant contribution to understanding how strategic decisions must reflect the company's resources and the market's conditions (Ansoff, 1965). This framework highlighted the importance of aligning business operations with market needs, thereby laying the groundwork for the broader understanding of strategic fit in subsequent decades.

The idea of strategic fit was further developed by scholars like Chandler (1962), who emphasized the relationship between organizational structure and strategy. Chandler's seminal work "Strategy and Structure" demonstrated that organizations with clear alignment between their strategies and structures were better positioned for success. He argued that strategic decisions need to be integrated into the fabric of the organization, suggesting that a fit between strategy and structure was critical for business success. His research laid the foundation for understanding the interdependence of strategy, organizational resources, and operational execution.

In the 1980s, the notion of strategic fit became more nuanced with the rise of the resource-based view (RBV) and the contingency theory of strategy. The RBV, popularized by scholars like

Wernerfelt (1984) and Barney (1991), introduced the idea that firms should focus on leveraging their internal resources and capabilities to achieve sustainable performance. According to the RBV, strategic fit is not merely about matching external opportunities with internal strengths, but also about ensuring that internal resources (such as intellectual capital, financial assets, and operational capabilities) are aligned with the strategic direction of the company.

Simultaneously, the contingency theory of strategy emphasized that there is no one-size-fits-all approach to strategic management. Instead, firms must align their strategies with both internal conditions (e.g., resources, capabilities) and external environmental factors (e.g., market conditions, competition). The idea of strategic consistency emerged, where a company's strategy should consistently align with its goals and the available resources while being responsive to environmental changes. Researchers like Miller (1988) and Porter (1985) further reinforced the need for a coherent strategy that was both internally consistent and adaptable to external dynamics. As the business environment began to change rapidly in the 1990s and early 2000s, the concept of agility emerged as a key factor in strategic management. Companies began to recognize that traditional strategies, which were more rigid and linear, were insufficient in the face of increasing market volatility and uncertainty. Agility in strategy implementation became crucial, as firms needed to remain flexible and responsive to external changes while maintaining internal alignment.

Research by scholars like Eisenhardt and Martin (2000) emphasized the importance of strategic agility, defined as the ability to sense and seize opportunities quickly, while continuously reconfiguring resources to maintain a firm performance. Strategic fit in this context shifted from being a static alignment between internal and external factors to a dynamic process where firms must continually reassess their strategies in response to evolving conditions. This new perspective on strategic fit recognizes that companies must remain agile in their decision-making processes, adapting strategies as new opportunities and threats emerge.

The development of strategic fit also highlights the importance of internal resources. As the RBV gained traction, it became clear that firms with superior resources were better positioned to achieve a strategic fit, as their capabilities allowed for the rapid adaptation of strategies to meet external demands. Resources such as skilled human capital, technological infrastructure, and financial strength play a crucial role in shaping a firm's ability to implement and adjust its strategy. According to Barney (1991), valuable, rare, inimitable, and non-substitutable resources enable firms to maintain a strategic fit that is difficult for competitors to replicate.

Internal resources also influence a firm's ability to achieve strategic consistency. Companies with robust resource capabilities can develop long-term strategic plans that align with their operational strengths. However, as organizations grow and evolve, their resource base may change, requiring ongoing adjustments to strategy. A company that has invested in strong organizational culture, leadership, and talent can more easily achieve strategic fit through resource reconfiguration and adaptation, thus maintaining both consistency and agility over time (Harter et al., 2020).

Environmental uncertainty has been another critical factor shaping the development of strategic fit. Early strategic management theories, such as the positioning school of thought advocated by Porter (1985), focused heavily on analyzing the external environment, particularly competition, industry forces, and market conditions. Porter's work emphasized that a firm's strategy must align with the external environment to create and sustain firm performance. However, as global markets became more interconnected and volatile, the ability to predict and respond to environmental changes became increasingly difficult. Environmental uncertainty refers to the degree of unpredictability surrounding key external factors such as economic shifts, technological advancements, and geopolitical changes. As highlighted by studies from Miller and Friesen (1983), firms that maintain a strong strategic fit are those that can rapidly sense environmental changes and adapt their strategies accordingly. Environmental uncertainty challenges firms to be more agile, as rigid strategic plans become less effective in dynamic market environments. Firms must develop the capability to constantly reassess their strategic position in light of changing environmental conditions. Harrison and Thompson (2023) show that organizations with robust uncertainty management frameworks exhibit greater adaptability in the face of market disruptions, which is essential for maintaining strategic fit in uncertain conditions. Environmental uncertainty forces organizations to be flexible and adaptive in their strategic approaches. For example, firms that operate in emerging markets often face political instability, regulatory changes, and economic volatility, which necessitate a more dynamic approach to strategic fit. Liu and Zhang (2023) highlight that companies with advanced uncertainty mitigation strategies achieve higher revenue stability in volatile markets, underscoring the importance of aligning internal processes with external environmental factors. As the business world becomes more unpredictable, firms are increasingly recognizing the need for strategic fit to incorporate flexibility and resilience, enabling them to adjust quickly to external changes while maintaining alignment with their internal resources and market demands (Smith & Brown, 2022).

Innovation allows firms to not only respond to environmental changes but also to anticipate and create new opportunities. Researchers such as Teece (2007) have emphasized the role of dynamic capabilities in helping organizations align their internal resources and strategies with the shifting external environment. Dynamic capabilities enable firms to innovate by reconfiguring existing resources, thus enhancing their ability to maintain strategic fit. Strategic fit is also tightly linked to a firm’s ability to innovate in response to competitive pressures. Innovation serves as both a defensive and offensive strategy, allowing firms to stay ahead of competitors or to develop new business models that meet changing consumer demands. As organizations invest in innovation and technological advancements, they can create a strategic fit that not only sustains their current market position but also allows for future growth and adaptability. This dynamic approach to strategic fit, blending consistency with agility, is essential in a rapidly changing world. Strategic leadership has emerged as a key factor in ensuring that a firm can achieve and maintain strategic fit. Leaders are responsible for creating a vision that aligns with both internal capabilities and external market demands. Furthermore, they must foster an environment that encourages agility and responsiveness. According to studies by Hitt et al. (2007), strategic leadership plays a pivotal role in shaping a company’s ability to integrate internal resources with external opportunities, ensuring long-term sustainability. Effective strategic leadership involves not just setting a vision but also the ability to navigate environmental uncertainty and resource constraints. Leaders who can align their organization's strategic objectives with the available resources and adapt to external changes are better positioned to maintain strategic fit. In practice, strategic leadership involves balancing the need for consistency with the imperative for innovation and agility, ensuring that the organization remains responsive while maintaining a coherent strategic direction.

5.1 Perspectives of Strategic Fit

Strategic fit is an essential concept in business management, especially when discussing how firms adapt and align their resources, capabilities, and strategies to achieve optimal performance. Several perspectives of strategic fit have emerged, focusing on different areas of organizational agility, consistency, internal resources, and environmental uncertainty. Agility in strategy implementation, strategic consistency, the effective utilization of internal resources, and the handling of environmental uncertainty are key to understanding these perspectives in practice.

One of the primary perspectives of strategic fit is the agility in strategy implementation. This perspective emphasizes the dynamic nature of strategic fit, where an organization's strategy needs to be flexible and adaptable to rapidly changing market conditions. Firms must have the ability to execute strategies swiftly while adjusting their internal resources and processes to meet external challenges. This agility is particularly important in today's fast-paced business environment, where the technological landscape and customer demands are in constant flux. According to McAdam, Miller, and McSorley (2019), organizations that can align their strategic goals with IT capabilities are better positioned to respond to changes quickly and effectively. The agility perspective highlights the significance of continuous monitoring and adaptation of both business and IT strategies to address emerging opportunities or challenges. Henderson and Venkatraman (2013) reinforce this by suggesting that strategic fit is a continuous process that requires organizations to integrate new information technologies and business strategies to maintain relevance in a competitive market.

Another crucial perspective is strategic consistency, which focuses on the alignment of a firm's strategy with its long-term objectives and the organization's internal capabilities. It asserts that for a business to sustain its performance, its strategic plans must be consistent with its resources, culture, and structure. This consistency ensures that business strategies and IT strategies work in harmony to avoid resource waste and to maximize the firm's potential. George and Desmidt (2018) emphasize that organizations need to create a consistent strategic direction that links IT capabilities directly to business outcomes. This alignment is particularly important in industries where businesses face constant technological disruptions and competition. The perspective of strategic consistency stresses that businesses must harmonize their IT infrastructure with their business strategy to maintain stability, promote long-term growth, and adapt to market demands while safeguarding internal resources.

The internal resource perspective highlights the importance of leveraging a firm's internal resources to achieve strategic fit. Organizations must ensure that their internal capabilities such as human capital, technological infrastructure, and organizational processes, are aligned with their strategic objectives. This perspective views the internal alignment of resources as critical to enabling firms to execute their strategies effectively and compete successfully in the market. A study by Papp (2019) underscores the role of internal capabilities in achieving strategic fit by aligning human resources, operational processes, and technological infrastructure with the organization's business strategies. Luftman, Levis, and Oldach (2014) further argue that a firm's internal resources, when aligned properly, can create synergies that drive innovation and enhance productivity. By strategically deploying these resources, organizations can optimize their operations and improve decision-making processes, thus fostering an environment of sustained firm performance. This perspective asserts that resource alignment is not just about maximizing efficiency but also about ensuring that the organization can meet the demands of the external environment through its capabilities.

In addition, environmental uncertainty plays a vital role in the strategic fit of an organization. In today's business world, firms must align their strategies not only internally but also with the external environment. This includes addressing factors such as market trends, technological changes, regulatory shifts, and competitive forces. Environmental uncertainty can pose significant challenges to business operations and requires organizations to develop adaptive strategies that are aligned with these external forces. According to Chi, Huang, and George (2020), managing environmental uncertainty involves creating flexible strategies that can accommodate unexpected changes while maintaining organizational coherence. Strategic fit frameworks, such as the one proposed by Henderson and Venkatraman (2013), advocate for the alignment of business and IT strategies to enhance organizational responsiveness to external market conditions. This perspective highlights the importance of external alignment, as organizations that remain attuned to the changing market environment are better equipped to leverage opportunities and mitigate risks. Environmental uncertainty thus forces businesses to develop a robust strategy that can cope with fluctuations while maintaining the core internal alignment of resources and processes.

Strategic fit encompasses a broad spectrum of perspectives that are essential for organizations to remain competitive in dynamic environments. Agility in strategy implementation enables organizations to swiftly adapt to market changes, while strategic consistency ensures long-term stability and alignment of internal resources. Furthermore, internal resources provide the foundation for effective strategy execution, and environmental uncertainty forces organizations to stay attuned to external factors. Organizations that manage these perspectives effectively are more likely to achieve strategic fit and maintain a firm performance in their industries. The importance of aligning both internal capabilities and external factors cannot be overstated, as firms that excel in this alignment are better positioned to navigate the complexities of modern business environments.

5.2 Dimensions of Strategic Fit

Strategic fit is a fundamental concept for organizations striving to align their internal capabilities, resources, and external factors with their strategic objectives. Achieving this alignment is crucial for sustaining firm performance, improving operational performance, and enhancing long-term business success. A comprehensive understanding of the dimensions of strategic fit helps businesses measure how effectively they adapt their strategies to meet both internal and external demands. The first dimension of strategic fit is agility in strategy implementation, which refers to the organization's ability to adapt its strategy in response to internal and external changes. Agility is critical in today's fast-paced business environment, as firms must respond quickly to market shifts, technological advancements, and competitor actions. One of the primary indicators of agility is the rapid decision-making process, which allows organizations to make informed, timely decisions and execute them effectively (McAdam, Miller, & McSorley, 2019). The flexibility in execution indicator reflects how well an organization can modify its strategic actions without significant disruptions to its operations (Henderson & Venkatraman, 2013). Additionally, real-time performance monitoring is essential for assessing agility, as it enables firms to track their strategic initiatives and performance in real-time, allowing them to adjust their course of action as necessary (George & Desmidt, 2018). These indicators will be adopted in this study to gauge the agility of organizations and understand how responsive they are to external and internal pressures. Organizations that excel in these areas are better positioned to adjust their strategies rapidly and effectively, ensuring that their strategic fit remains intact despite constant changes in the business landscape.

The second dimension of strategic fit, strategic consistency, focuses on how well an organization's internal processes, goals, and strategies align with each other to achieve sustainable success. Strategic consistency ensures that all elements of the business such as operations, finance, and human resources, are working toward a unified set of objectives. The indicators for strategic consistency in this study include operational goals, which refer to the alignment of daily activities and tasks with the organization's long-term strategic objectives (Papp, 2019). Integrated performance is another critical indicator, which evaluates whether the various functions within the organization are working in harmony to achieve strategic goals (Luftman, Levis, & Oldach, 2014). The communication of strategic objectives is also vital, as it ensures that all members of the organization understand the company’s strategic direction and how their efforts contribute to overall success (Chi, Huang, & George, 2020). By adopting these indicators, this study aims to measure how consistently the strategic elements of the organization align with each other and how well the organization communicates and executes its strategic plan across various functions.

The third dimension of strategic fit is internal resources, which refers to the capacity of an organization to leverage its assets and capabilities effectively to support its strategy. Internal resources are critical for operationalizing strategy and ensuring that a business can perform optimally. Key indicators under this dimension include productivity rates, which measure the efficiency with which an organization produces goods or services relative to its input resources (McAdam, Miller, & McSorley, 2019). Operational efficiency is another important indicator, reflecting how well an organization optimizes its internal processes to minimize waste and maximize output (Luftman et al., 2014). Finally, resource optimization measures the extent to which a firm allocates and utilizes its resources whether human, financial, or technological, effectively to support strategic goals (George & Desmidt, 2018). This study will adopt these indicators to evaluate the alignment of an organization's internal resources with its strategic objectives. Firms that effectively optimize their resources and maintain high productivity and operational efficiency are more likely to achieve strategic fit and outperform competitors.

Another dimension, environmental uncertainty, reflects how external factors such as market conditions, technological advancements, and regulatory changes impact an organization’s ability to maintain strategic fit. Environmental uncertainty is a constant challenge for businesses, as it introduces risks and requires firms to adapt their strategies to an ever-changing landscape. Key indicators for this dimension include operational resilience, which measures an organization's ability to withstand and recover from unexpected disruptions or challenges (Papp, 2019). Market prediction accuracy is another crucial indicator, which evaluates how well an organization can anticipate changes in the market and align its strategies accordingly (McAdam, Miller, & McSorley, 2019). Further, revenue stability measures the consistency and predictability of a company's revenue streams, indicating how well the business can adapt to external shocks and sustain its financial health (Luftman et al., 2014). These indicators will be adopted in this study to assess how well organizations can manage external uncertainties and maintain strategic fit in fluctuating environments.

The strategic fit is a multifaceted concept that requires organizations to align their internal capabilities, resources, and strategies with external market conditions. Agility in strategy implementation, strategic consistency, internal resources, and environmental uncertainty are the key dimensions that determine strategic fit, and the indicators chosen to measure these dimensions provide valuable insights into an organization’s overall performance. By adopting indicators such as rapid decision-making, flexibility in execution, integrated performance, resource optimization, and operational resilience, this study will provide a comprehensive understanding of how organizations achieve and maintain strategic fit. Organizations that excel in aligning these dimensions are more likely to sustain and achieve long-term success in a dynamic and unpredictable business environment.

5.3 Adoptions and Outcomes of Strategic Fit in Strategic Management

One of the most significant developments in strategic management in recent years is the increasing emphasis on agility in strategy implementation. According to studies by Du and Jiang (2020), agility in the strategic context refers to an organization’s ability to swiftly respond to changes in the market, technology, or customer preferences. The integration of agility with strategic fit allows firms to adapt their strategies to evolving circumstances without losing alignment with their core resources or strategic goals. Firms that can maintain a flexible, yet consistent, approach are more likely to succeed in dynamic environments. This agility in implementation enables the company to reallocate resources, change directions, or develop new capabilities in line with shifting external conditions. Research by Nardella et al. (2021) highlights that organizations leveraging agility through strategic fit tend to outperform their competitors in terms of market responsiveness and customer satisfaction. This is particularly evident in industries marked by rapid technological advancements, where the ability to quickly pivot or innovate is crucial. In such sectors, companies that adopt agile strategies that are consistently aligned with their internal strengths and market opportunities show better outcomes than those that adhere to more rigid approaches.

Strategic consistency remains a cornerstone of successful strategic management. Despite the importance of agility, firms must maintain strategic consistency aligning their strategy with long-term goals, organizational culture, and values. According to a study by Kamalahmadi and Parast (2019), firms with consistent strategies are better able to leverage their core capabilities and achieve sustainable firm performance. Strategic consistency ensures that an organization’s actions are coherent across different levels, helping it build strong organizational routines and culture that reinforce its strategic objectives. Achieving strategic consistency through strategic fit leads to higher organizational coherence, which, in turn, improves overall performance. Research conducted by O'Boyle et al. (2020) supports this notion, showing that consistency between an organization’s strategic goals and its operations fosters employee engagement, reduces internal friction, and enhances alignment across business units. Firms that maintain this consistency are better able to execute their strategies effectively, even in the face of external disruptions. Internal resources play a critical role in determining an organization’s ability to achieve strategic fit. The resource-based view (RBV) has underscored the importance of internal resources in gaining a firm performance. According to research by Peng et al. (2018), the alignment between a company’s resources such as skilled personnel, financial capital, and technological capabilities, and its strategic goals is crucial for the successful adoption of strategic fit. Internal resources must not only support current strategies but also provide the flexibility to adapt to emerging challenges.

A study by Jadhav and Rajadhyaksha (2021) further reinforces the notion that firms with abundant internal resources are more adept at maintaining strategic fit, particularly when those resources are rare, valuable, and difficult to imitate. Companies that invest in developing their resource base, such as human capital or advanced technological capabilities, find it easier to adjust their strategies in response to both internal and external changes, resulting in more successful strategic outcomes.

Environmental uncertainty is another significant factor influencing the adoption and outcomes of strategic fit. The dynamic nature of the business environment, characterized by rapid technological change, market volatility, and global competition, poses challenges to firms seeking to maintain strategic fit. According to studies by Raza et al. (2020), environmental uncertainty forces companies to be more adaptable and proactive in their strategy formulation. Organizations that can continuously reassess and realign their strategies with the external environment exhibit a better fit, allowing them to navigate uncertainty more effectively. Companies operating in high-uncertainty environments, such as the tech industry, must be particularly agile in their strategic execution. The research by Nunes and Barbosa (2021) demonstrates that firms that maintain strategic fit under uncertain conditions are better at identifying new opportunities, mitigating risks, and responding to disruptive changes. These organizations are more likely to sustain performance and innovation, even in the face of unforeseen challenges.

The adoption of strategic fit has significant implications for organizational performance. Research by Ghosh et al. (2021) finds that organizations that align their strategies with both internal capabilities and external market demands outperform their competitors in terms of profitability, market share, and long-term growth. The study highlights the positive correlation between strategic fit and organizational performance, with firms experiencing greater success when they continuously refine their strategies to maintain alignment with resources and external factors. Additionally, companies that effectively implement strategic fit tend to exhibit higher levels of innovation, as they are better equipped to leverage their resources in response to emerging market needs. For instance, firms that strategically integrate their R&D capabilities into their overall strategy are more likely to produce breakthrough products that meet market demands, giving them a competitive edge (Hernandez et al., 2020). This alignment enables firms to not only adapt to changing conditions but also lead in market innovation.

While strategic fit offers numerous advantages, adopting and maintaining it is not without challenges. One major challenge is the difficulty in balancing agility with consistency. Research by Smit and Choy (2021) suggests that organizations often struggle to maintain a consistent strategy while simultaneously being agile enough to respond to environmental shifts. The dynamic nature of markets and industries requires firms to frequently adjust their strategies, which can sometimes conflict with the need for strategic consistency. Moreover, the resource allocation required to achieve and maintain strategic fit can be a significant barrier for many organizations. As Jadhav and Rajadhyaksha (2021) note, companies may lack the necessary resources or capabilities to implement a strategy that aligns with both internal and external factors, especially in times of financial strain. This can lead to misalignment, undermining the potential benefits of strategic fit.

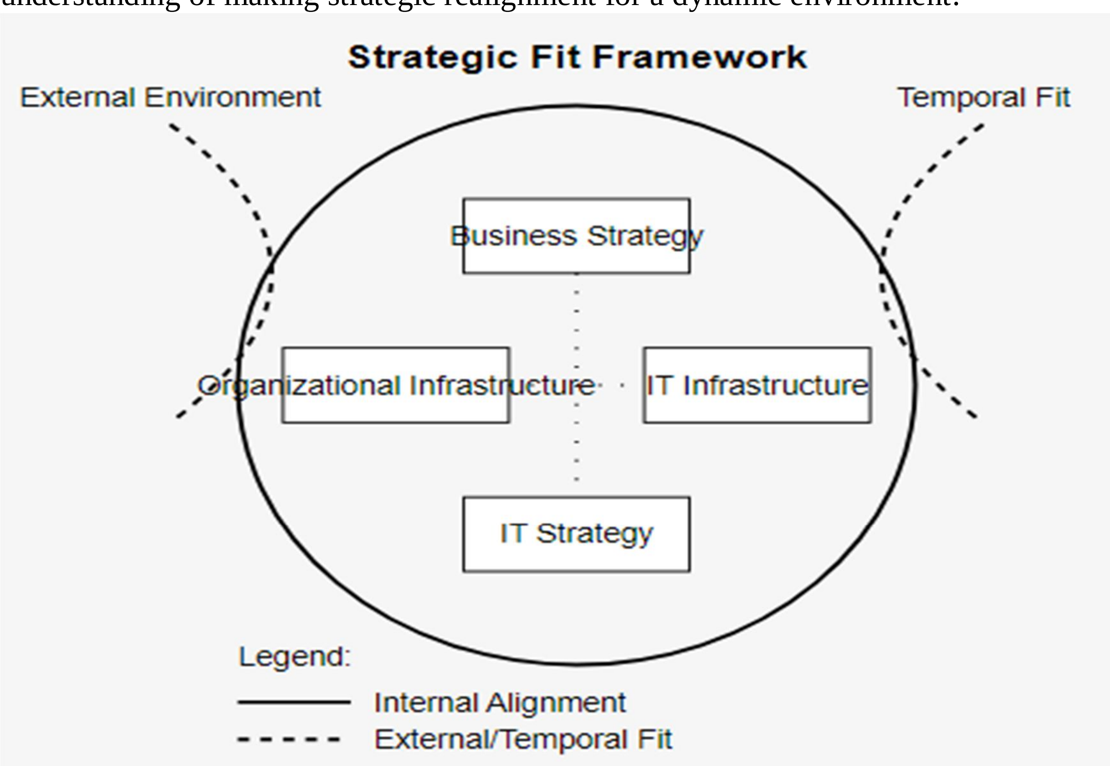
6.0 Theoretical Literature Review

This study reviews the theoretical framework of strategic fit and firm performance. It is anchored on: Strategic Alignment Theory, Dynamic Capabilities Theory, Value Chain Theory and Theory of Planned Behaviour.

6.1 Strategic Alignment Theory

Strategic Alignment Theory provides the robust construct upon which the understanding and investigation of the concept of strategic congruence in organizations is built. This theory originally proposed by Henderson and Venkatraman (1993) basis on the fact that organizational effectiveness is best achieved when there is alignment between business strategy, IT strategy, organizational infrastructure, and IT infrastructure. In the strategic fit model, the theory is extended to a more holistic construct of the organizational elements involved, such as human resources, operational processes, and the external environment of the organization. The underlying hypothesis is that there is operating optimally for an organization if all of these factors are congruent with each other and reinforcing in a mutual way. However, this concordance is not a definitive concordance, but an ad hoc concordance, requiring, in addition to indoor/outdoor requirements, a stepwise adaptation and fenestration. Thus, the notion of strategic fit can be also viewed as a whole organization strategy, entire organization structure, and organizationally applied operational processes in agreement with the requirements of the environment and each other. This kind of aligning is practically the linchpin for corporate assets to be used effectively, to realize future opportunity, and to resist to the tensions present in the operational environment.

Building on this foundation, a generalizable model to interpret strategic fit, should be capable of varying along with different alignment dimensions. These dimensions include vertical fit (alignment between strategy and operational activities), horizontal fit (coherence among different functional areas and processes), external fit (alignment with the external environment), and temporal fit (consistency over time). All of these elements have their part in a unified strategic integration of the enterprise and hence, performance and the firm performance. The framework should also consider the bidirectionality of such interactions, i.e., (ii) whereas if strategy is more or less relevant to design and operation of the organization, the other way around (i.e., feedback from the bottom to adjust strategy) is equally valid. Second, the framework should consider the need for organizational learning and flexibility to achieve strategic alignment in the medium term. Organizations should be prepared to cope with the novel challenge and opportunity (because they can sense (be aware of) the change in the environment, at the same time can understand its importability and base the necessary adaptation of their resources and competence). From the dynamic capability perspective (Teece et al., 1997), this is not only a different approach to the static fit perspective, but also a richer understanding of making strategic realignment for a dynamic environment.



Source Teece et al., (1997)

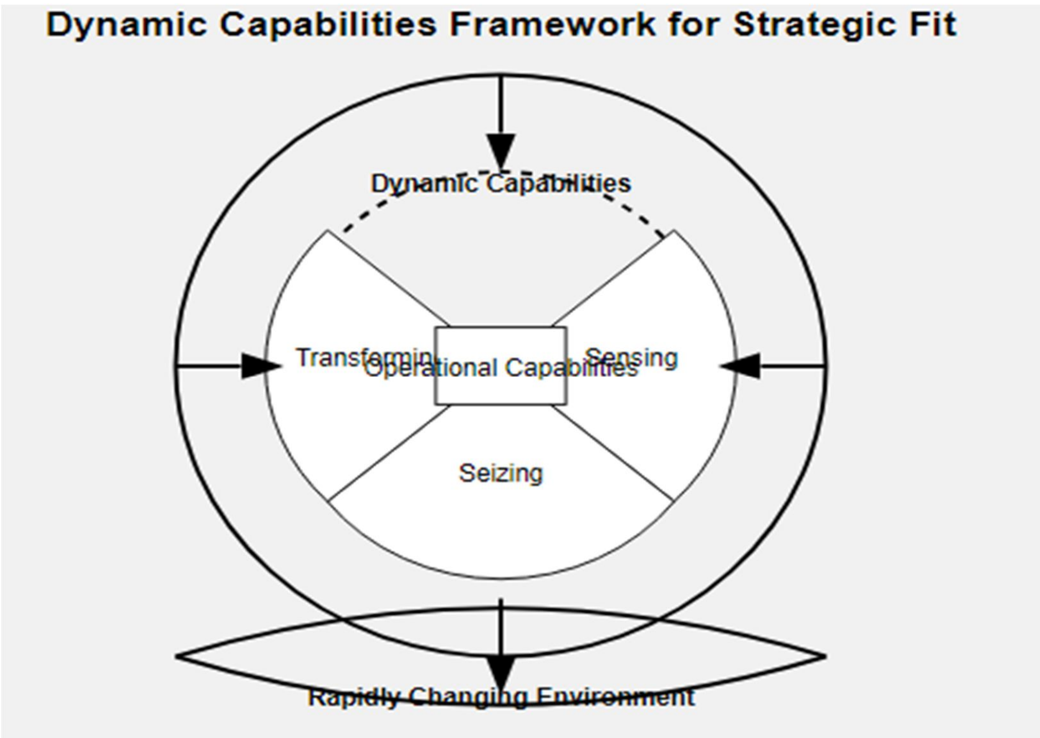
Figure 1: Strategic Alignment Theory

Strategic Alignment Theory emphasizes the crucial relationship between business strategy and organizational components, particularly IT strategy and infrastructure. This theory suggests that optimal firm performance occurs when there is coherence between the business strategy, IT strategy, organizational infrastructure, and IT infrastructure. When these elements are well-aligned, organizations can more effectively execute their strategies and achieve superior performance. The theory posits that misalignment between these components can lead to inefficiencies, reduced performance, and missed opportunities. For instance, when the business strategy does not align with the IT infrastructure, resources may be wasted, and the organization might struggle to respond effectively to market changes. On the other hand, when business and IT strategies are strategically aligned, organizations can leverage their resources more effectively, optimize operations, and better meet customer demands, leading to improved firm performance. Strategic fit, in this context, requires that all organizational components – including resources, processes, and capabilities – are aligned with the overall business strategy. This alignment enables firms to respond more efficiently to market shifts, technological advancements, and customer expectations, thereby improving performance outcomes. Moreover, as the business environment and technology continue to evolve, maintaining strategic fit requires ongoing adjustment to ensure alignment remains effective. Firms that continually refine their strategies and infrastructures are better positioned to achieve sustainable performance and remain competitive.

6.2 Dynamic Capabilities Theory

Dynamic Capabilities Theory (Teece, et al., 1997) offers a compelling theoretical framework to analyze strategic fit in the contemporary business world characterized by extreme dynamism. Based on the theory, dynamic capabilities, defined as the shaping and use of firm capabilities, have to be manifested, in order to enable the firm to become, and remain, strategically relevant in turbulent conditions and to achieve strategic match. Dynamic capabilities are defined as the capacity of an organization to selectively identify, organically mix and dislocate its internal and external capabilities in order to respond to the evolving dynamism of its environment. From a strategic balance point of view, this work contends that not only can firms reconfigure their past and already existing resources and capabilities to suit their current market, but firms must continuously reconfigure these same resources and capabilities in a competitive process. The heart of dynamic capabilities lies in the capacity of the organisation to both sense and utilize opportunities and risks, and in that way to reshape the base of its assets. The underlying triumvirate of sensing, seizing, and transforming underlie the extent to which the capacity of an organization to enact and maintain strategic fit over a long-time horizon is realised. Unlike narrow definitions of fit in which fit and adjustment are fixations through recursive and restrictive processes, the dynamic capabilities approach allows organizations and markets to be flexible and adaptive and the "as necessary response" of the enterprises to strategic manoeuvres.

Here, strategic fit becomes a constantly shifting target, and the capacity of organizations to make ongoing adjustments depends on meta-capabilities. Among those meta-capabilities are organizational learning, knowledge management and creative processes that enable the company to remain at the cutting edge of market change. The theory further highlights the significance of micro foundations the specialized abilities, processes, procedures, organizational systems, decision rules, and disciplines that serve as the basis for each dynamic capability. E.g., navigational skill may include procedures for searching for and deciding upon market opportunities, and skill in seizing opportunity may include procedures for making efficient, but feasible decisions in the market. This new prospect may include techniques for remote monitoring and recovery of both physical and nonphysical assets. Interestingly, the Dynamic Capabilities Theory implies that the optimal fit is not only closely aligned between the internal (e.g., structure, organization) and external (e.g., environment, customers) realities, but also tightly synergistic between the operation (daily running operations) and dynamic (change orientated) capabilities. This symbiosis enables the organisation to its current business to be maximized whilst also positioning itself for the future planning and adaptation expected to encounter it. As a result, when looking at strategic fit within the context of Dynamic Capabilities Theory researchers must take account of not only the current status of fit, but also of the mechanisms and capabilities that allow for dynamic and changing fit over time.



Source Teece, et al., (1997)
Figure 2: Dynamic Capabilities Theory

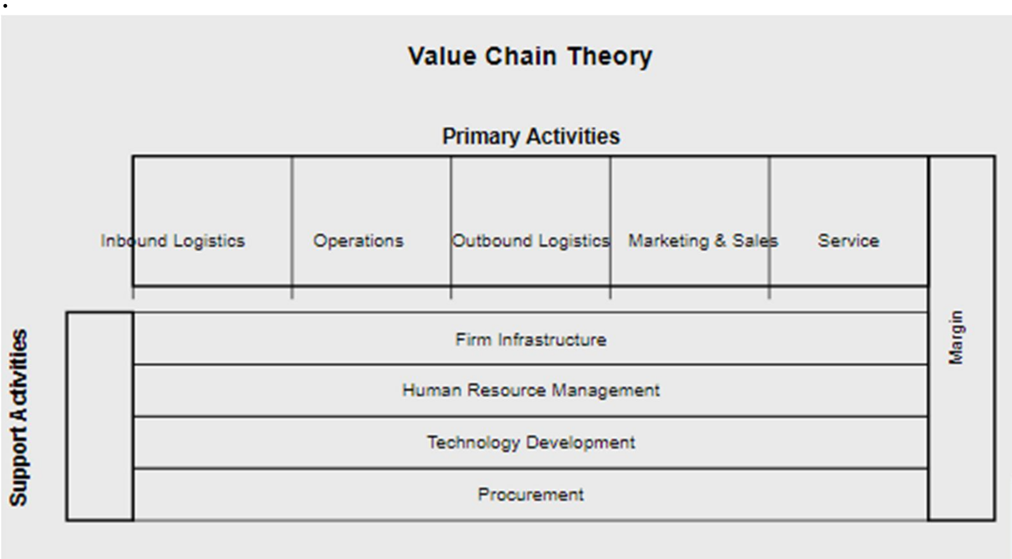
Dynamic Capabilities Theory focuses on an organization's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments. This theory is particularly relevant to understanding how firms maintain performance in dynamic markets. It suggests that successful organizations must develop capabilities that extend beyond basic operational competencies to include the ability to sense opportunities and threats, seize those opportunities, and transform the organization as needed. The theory highlights that firm performance is directly linked to how well an organization can develop and utilize dynamic capabilities to respond to changing market conditions. Firms that are able to continuously reconfigure and adapt their resources can better align themselves with new external opportunities, leading to improved operational efficiency, profitability, and growth. As such, the ability to sense, seize, and transform is critical for maintaining strong firm performance in a competitive and ever-changing business landscape.

6.3 Value Chain Theory

Value Chain Theory (Porter, 1985) provides a clear and effective framework for understanding the sources of firm performance at the operational level. The theory suggests that a firm's performance depends on its ability to perform key activities in the value chain more effectively or efficiently than its rivals. The value chain consists of a series of interrelated activities that a company follows to deliver valuable products or services to the market. These activities are typically categorized into primary activities, such as inbound logistics, operations, outbound logistics, marketing and sales, and post-sale services, and support activities, such as infrastructure management, human resource management, and technology development. All of these activities contribute to the firm's overall cost structure and performance, offering insights into how efficiently a company operates across its value chain. Strategic fit within the value chain occurs when the firm effectively aligns its internal activities with external market opportunities. Companies that strategically align their operations, resources, and processes across the value chain are better positioned to respond to market demands and operational challenges, leading to improved performance. For example, aligning logistics with production processes can reduce lead times and operational costs, while ensuring that marketing and sales are coordinated with production capabilities can enhance customer satisfaction.

Moreover, Value Chain Theory emphasizes that the activities within a firm's value chain do not operate in isolation but are interconnected with the value chains of suppliers, distributors, and customers. This interconnected approach highlights the importance of aligning both upstream (supplier) and downstream (customer) value chains to enhance overall performance. Companies that achieve strategic fit across the entire value system, rather than just focusing on individual components, are better able to optimize their resources and processes, thus improving performance. The theory also recognizes that value chains are dynamic and must evolve over time in response to changing technological, market, and competitive conditions. Firms that continuously reassess and reconfigure their value chains to align with shifting environments are more likely to sustain high levels of performance. For instance, companies that innovate their processes, adopt new technologies, or adapt to changes in customer preferences can enhance their performance by better meeting market demands.

.



Source Porter (1985)

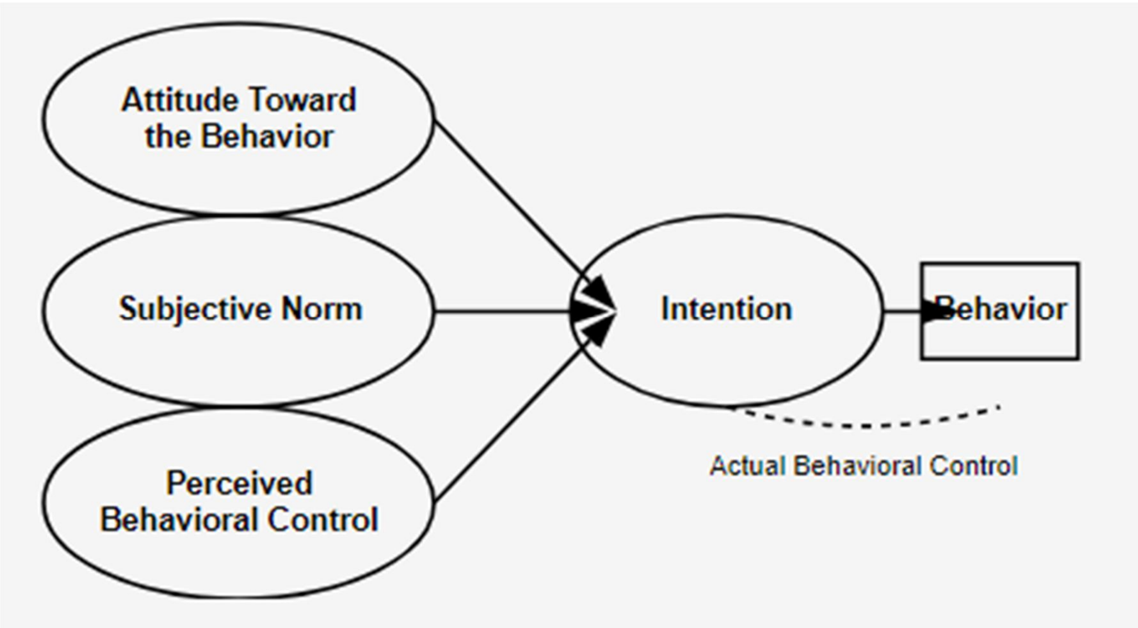
Figure 3: The Value Chain Theory

Value Chain Theory examines how organizations create value through a series of primary and support activities. This framework is fundamental to understanding how firms can achieve strategic fit by optimizing and coordinating their various activities to deliver superior value to customers. The theory suggests that firm performance is enhanced when organizations effectively manage the linkages between different activities and optimize the entire chain rather than focusing on individual components in isolation. Strategic fit in this context involves aligning all value chain activities with the organization's overall strategy and ensuring that each activity reinforces others. When a firm achieves strategic fit, the integration of its internal operations becomes more effective, enabling the firm to respond more efficiently to market demands. Activities such as procurement, production, logistics, marketing, and service delivery must align not only with each other but also with external market opportunities and challenges. Value chain activities that are strategically aligned lead to more efficient use of resources and more responsive operations. For instance, aligning production capabilities with market demand, or ensuring that customer service is integrated with the marketing strategy, can significantly improve overall performance. A firm that successfully aligns its value chain activities is better able to meet customer expectations, reduce costs, and enhance product/service quality, which can improve its competitive position in the market.

6.4 Theory of Planned Behaviour

The Theory of Planned Behavior (TPB), first proposed by Icek Ajzen in 1985 and later expanded in 1991, offers a robust framework for understanding and predicting behaviors, particularly in organizational settings. According to TPB, behavioral intentions, which directly influence actual behavior, are shaped by three key components: attitudes toward the behavior, subjective norms, and perceived behavioral control. These components are essential in explaining how and why individuals, including managers, decide to engage in specific behaviors, such as demonstrating commitment to organizational goals. In the context of management commitment, TPB posits that a manager's intention to act such as their commitment to an organization's goals, programs, or changes is influenced by their attitudes toward that commitment, the perceived social pressures (subjective norms), and their perceived ability to execute the commitment (perceived behavioral control). Attitudes toward the behavior refer to a manager's positive or negative evaluation of the commitment. For example, if a manager believes that their commitment to a certain project will yield positive outcomes, their commitment is more likely to be stronger. Subjective norms reflect the perceived social pressures or expectations from peers, superiors, subordinates, and other stakeholders that influence the manager’s decision to act. If a manager feels that commitment is expected by others within the organization, this may motivate them to act accordingly. Finally, perceived behavioral control involves a manager’s assessment of their own ability to carry out the committed behavior, taking into account available resources, skills, and any potential obstacles. The theory suggests that when a manager has a positive attitude towards their commitment, perceives strong social norms supporting that commitment, and believes they have the capability to execute it, they are more likely to demonstrate strong commitment. Moreover, TPB acknowledges that actual behavior can be influenced by external factors, such as resources and constraints within the organizational environment. Even if a manager has the intention to be committed, the real-world challenges or facilitators may influence whether that commitment is successfully enacted. For example, a manager may intend to implement a new program but may be hindered by a lack of resources or support, affecting their actual commitment. TPB further recognizes the interaction between these components, meaning that a manager's attitudes may be influenced by their perceived behavioral control, or social norms could shape their attitudes toward commitment. Additionally, background factors such as personality, emotions, values, prior experiences, and demographics may also shape these components, further complicating the dynamics of management commitment. In essence, TPB provides a comprehensive framework for understanding firm performance within organizational contexts. By identifying the key factors that influence managers' intentions and behaviors, TPB offers valuable insights for organizations seeking to enhance management commitment. Organizations can target interventions at any of the three components attitudes, norms, or perceived control, thereby strengthening managers' commitment behaviors and improving overall firm performance

.



Source Ajzen, (1991)

Figure 4: Theory of Planned Behaviour

The Theory of Planned Behavior explains how attitudes, subjective norms, and perceived behavioral control influence behavioral intentions and actual behavior. In an organizational context, this theory is valuable for understanding how strategic fit influences firm performance. The theory suggests that successful strategy implementation depends not only on formal plans but also on individuals' beliefs, social pressures, and perceived ability to execute the required behaviors. By aligning individual behaviors with organizational strategies, firms can achieve strategic fit, which in turn enhances overall performance. Firm performance improves when there is congruence between organizational goals and individual behavioral intentions. The theory emphasizes that strategic fit requires attention to both structural and behavioral elements, ensuring that employees' attitudes and perceived control align with the organization's strategic direction. This alignment fosters an environment where employees are more likely to engage in behaviors that support the organization's goals, ultimately leading to improved performance outcomes. Thus, achieving strategic fit is a key factor in driving organizational success.

7.0 Empirical Literature Review

Based on the findings of a number of studies, the mechanism through which the internal potentials can be directed toward the external one and how they contribute to the organizational success is discussed. The most important considerations are drawn from the trends, outcomes, and gaps in the literature, presenting, at best, an intervention opportunity to translate the considerations from one sector or country to another.

7.1 Implementation Agility and Firm Performance

Johnson et al. (2021) conducted a study to analyze the impact of rapid decision-making processes on firm performance in the United States, particularly focusing on high-growth technology companies in New York. The primary aim was to understand how the speed of decision-making within firms affects their ability to adapt to market changes and improve performance outcomes. The methodology involved a mixed-methods approach, collecting data through surveys and interviews from 250 senior managers across 120 firms. A 28% response rate was achieved, and data were analyzed using regression analysis to assess the relationship between decision-making speed and firm performance. The findings indicated that faster decision-making significantly enhanced operational efficiency, leading to better market positioning and profitability, especially in firms that embraced a decentralized decision-making structure. This study will fill the gap in understanding how rapid decision-making practices specifically contribute to performance metrics such as revenue growth and market share in fast-paced, competitive sectors. The research will also suggest the adoption of rapid decision-making could be a key differentiator for firms aiming to thrive in the volatile industry.

Koskinen and Kallio (2019) explored the role of flexibility in execution and its impact on firm performance in Finland, with a focus on SMEs in the manufacturing sector in Helsinki. The study aimed to examine how flexibility in the implementation of strategic initiatives influenced operational success and business outcomes. Data were gathered from 200 SMEs using a structured questionnaire, with a response rate of 32%. The study employed both descriptive statistics and path analysis to explore the relationship between flexible strategy execution and business performance. Results showed that firms with higher flexibility in strategy implementation were better able to adjust to changing market conditions, leading to higher levels of innovation, customer satisfaction, and profitability. This research will fill a gap in the existing literature by specifically addressing the effect of execution flexibility on firm performance, an area often overlooked in agility studies. The finding will underscore the importance of flexibility as a key driver of organizational success in the face of uncertain market environments.

Müller and Weber (2020) examined the relationship between real-time performance monitoring and firm performance in Germany, focusing on large corporations located in Frankfurt. The study aimed to determine how the ability to monitor and analyze performance data in real-time influences decision-making and business outcomes. The methodology employed involved a survey distributed to 300 executives, with a response rate of 25%. Statistical techniques, including correlation analysis and multiple regression, were used to test the hypothesis that real-time performance monitoring enhances firm performance. The results confirmed that companies with advanced performance tracking systems saw improvements in operational efficiency, customer service, and profitability. The study will fill a gap by providing empirical evidence on the significance of real-time performance monitoring in large firms and its direct impact on strategic outcomes, which had been underexplored in previous research.

García and Rodríguez (2022) conducted a study in Mexico to investigate the impact of rapid decision-making and flexibility in execution on firm performance in the retail sector, particularly in Mexico City. The objective was to explore how decision-making speed and the ability to adapt strategy execution in real time affect business performance, especially in a market characterized by rapid consumer behavior shifts. The research used a quantitative design, collecting data through surveys from 150 retail managers, with a response rate of 30%. Structural equation modeling was employed to analyze the data. The findings highlighted that both rapid decision-making and execution flexibility were positively correlated with enhanced profitability and customer retention. This study will fill the gap in understanding the dynamic relationship between agility factors and performance outcomes, where such studies are scarce. The research will emphasize the importance of quick adaptation to changing market demands and effective execution to sustain competitiveness and growth in a rapidly evolving market.

7.2 Strategic Consistency and Firm Performance

Lambert and Chang (2020) investigated the impact of strategic consistency in the form of operational goals on firm performance in Canada, specifically focusing on firms in the financial services sector in Toronto. The study aimed to determine how aligning operational goals with broader strategic objectives influences organizational performance, particularly in terms of profitability and growth. The research used a quantitative approach, collecting data from 180 senior managers across 100 firms. The response rate was 26%, and data were analyzed using regression analysis to assess the relationship between operational goal alignment and firm performance. The findings showed a significant positive correlation between strategic consistency in operational goals and improved financial performance, with firms that maintained clear alignment achieving higher levels of operational efficiency and market growth. The study will fill a gap in understanding the role of operational goals in fostering strategic consistency, which had been underexplored firms. Research will contribute to a deeper understanding of how ensuring consistency between operational actions and strategic direction can be a key determinant of business success.

Wilson and Harris (2021) explored the relationship between integrated performance and firm performance in the UK, particularly within the manufacturing sector in Birmingham. The study aimed to assess how integrating various performance metrics such as financial, operational, and customer-focused indicators, could enhance organizational performance. The study employed a mixed-methods approach, collecting data from 220 managers across 130 manufacturing firms using surveys and in-depth interviews. The response rate was 29%, and data were analyzed through path analysis to understand how integrated performance systems influenced firm outcomes. The results indicated that firms that implemented integrated performance measurement systems showed better alignment between their strategic objectives and actual outcomes, leading to improvements in both financial and non-financial performance metrics. This study will fill a gap by providing empirical evidence on the role of integrated performance systems in driving firm success.

Zhang and Li (2019) examined the role of communication of strategic objectives and its impact on firm performance in China, with a focus on the technology industry in Shenzhen. The study aimed to explore how effective communication of strategic goals within firms influences alignment and execution across different levels of the organization, and subsequently, firm performance. The methodology involved surveying 250 managers and executives from 120 firms, achieving a response rate of 30%. Data were analyzed using multiple regression analysis to investigate the relationship between communication of strategic objectives and organizational performance. The findings revealed that clear and consistent communication of strategic objectives was positively related to higher employee engagement, faster decision-making, and improved firm performance, particularly in terms of innovation and market share. This research will fill a gap in the literature by providing evidence from the sector, where the dynamics of strategic communication had not been extensively studied. Zhang and Li (2019) study underscore the critical role that communication plays in ensuring that strategic objectives are understood and executed effectively, driving firm performance in a highly competitive market environment.

7.3 Internal Resources and Firm Performance

Thompson and Edwards (2020) conducted a study examining the relationship between internal resources, specifically productivity rates, and firm performance in Canada. The research focused on manufacturing firms in Ontario, with the objective of understanding how the efficient utilization of internal resources, particularly labor and capital, influences productivity and overall business outcomes. The study utilized a quantitative approach, collecting survey data from 250 managers across 120 manufacturing firms, achieving a response rate of 28%. Data were analyzed using regression analysis to explore how changes in productivity rates were linked to improvements in operational outcomes, including profitability and growth. The findings indicated that firms with higher productivity rates had a significant advantage in terms of cost reduction and market competitiveness. The study will fill a gap in understanding how productivity-focused strategies impact firm performance in the context, an area that has not been thoroughly researched in recent literature. Research will contribute valuable insights into the importance of internal resource management, emphasizing the role of productivity in driving sustainable firm performance.

Klein and Weber (2021) explored the role of operational efficiency as a key internal resource and its impact on firm performance in Germany, with a particular focus on large industrial firms based in Munich. The primary aim of the study was to assess how firms that optimized their internal processes and reduced inefficiencies performed better in terms of profitability and market share. The research followed a quantitative methodology, gathering data from 300 managers across 150 industrial companies through a structured survey, with a response rate of 30%. Statistical analysis, including multiple regression, was used to evaluate the correlation between operational efficiency and performance indicators. The results showed a strong positive relationship between high operational efficiency and superior financial performance, with firms that embraced lean management practices seeing significant improvements in cost savings, process speed, and customer satisfaction. This study will fill a gap by providing empirical evidence on the role of operational efficiency in the performance of industrial firms, an area where prior research was limited. The findings will underscore the importance of improving operational processes as a critical factor for enhancing firm competitiveness and sustainability.

Sato and Tanaka (2019) investigated the relationship between internal resources, specifically resource optimization, and firm performance in Japan, focusing on the automotive industry in Toyota City. The objective was to explore how firms can optimize their resources, including human capital, technology, and raw materials, to enhance operational performance and achieve sustainable growth. The study used a mixed-methods approach, gathering quantitative data from 200 executives through surveys and qualitative data from in-depth interviews with 40 managers, achieving a 35% response rate. Data were analyzed using structural equation modeling (SEM) to assess the impact of resource optimization on various performance metrics, including profitability and market share. The findings indicated that firms that focused on resource optimization experienced improvements in both cost-efficiency and innovation capacity, which contributed to higher profitability and a stronger competitive position in the global market. This study will fill a gap in research on resource optimization in the sector, where the specific relationship between optimized resource utilization and firm performance had not been well-explored. Research will highlight the importance of internal resource optimization as a crucial strategy for firms seeking to remain competitive in highly dynamic and technologically advanced firms.

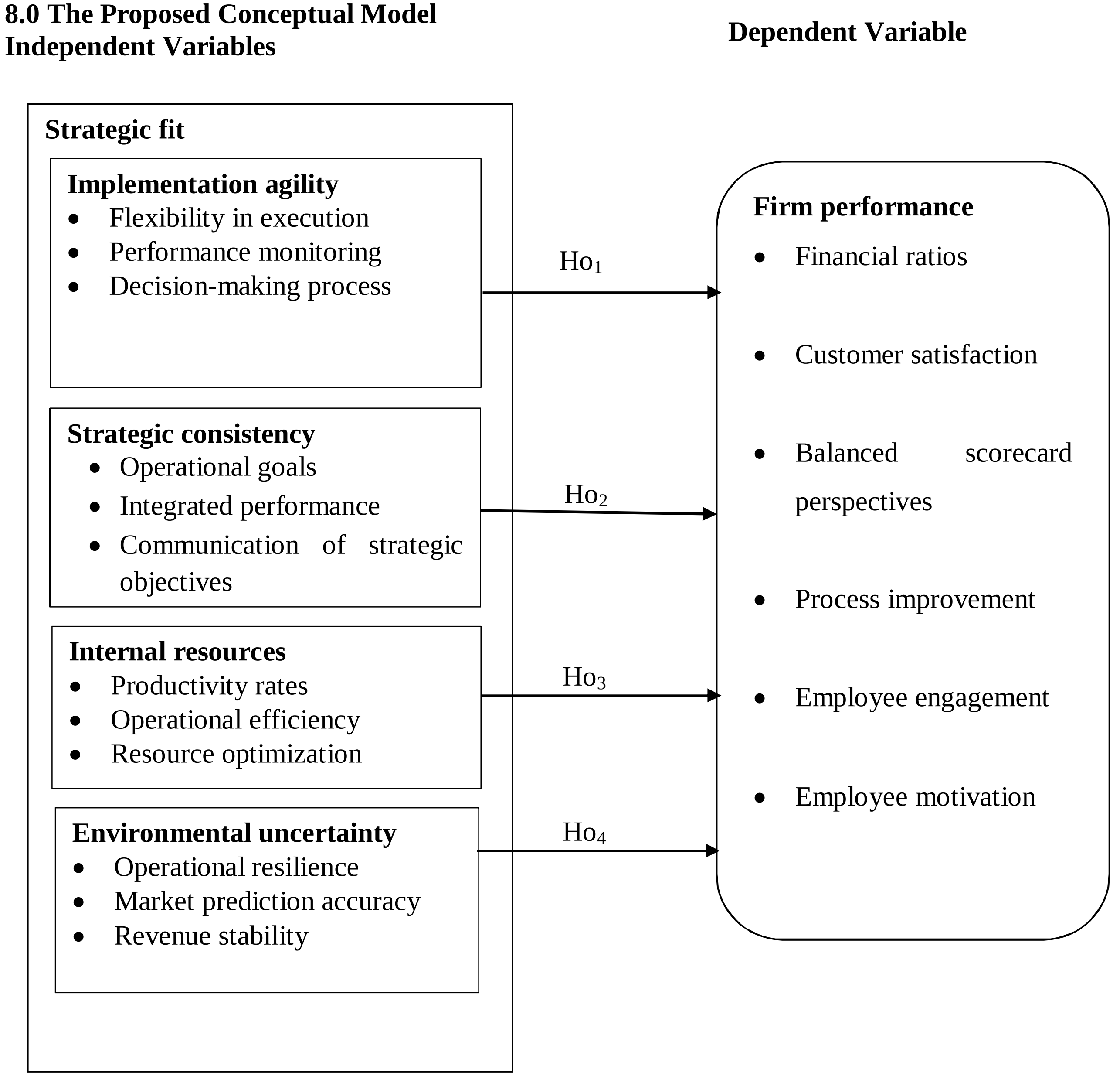
7.4 Environmental Uncertainty and Firm Performance

Anderson and Miller (2021) conducted a study to examine the impact of environmental uncertainty on firm performance in the United States, with a focus on operational resilience in the healthcare sector in California. The research aimed to assess how organizations that can maintain resilience in the face of economic, regulatory, and technological changes perform better in terms of financial stability and growth. Using a quantitative methodology, the study collected data from 250 healthcare executives through structured surveys, with a 25% response rate. Data were analyzed using regression analysis to evaluate the relationship between operational resilience and firm performance, particularly in terms of profitability and market positioning. The findings showed that firms with higher operational resilience such as adaptive capabilities to crises and efficient risk management, performed significantly better in unstable environments, achieving greater revenue stability and market share. This study will fill a gap by providing empirical evidence on how operational resilience directly influences firm performance amid environmental uncertainty, which is often subject to frequent regulatory and economic shifts. Research will highlight the importance of building operational resilience as a strategic asset for navigating uncertain market conditions and achieving long-term success.

Bauer and Schmidt (2020) explored the role of market prediction accuracy in mitigating the effects of environmental uncertainty on firm performance in Germany, specifically focusing on the automotive industry in Stuttgart. The study aimed to understand how firms with better market forecasting capabilities perform in terms of revenue stability and firm performance. The study used a survey-based methodology, collecting data from 300 executives across 150 automotive companies, with a 30% response rate. Statistical techniques, including multiple regression and path analysis, were employed to examine the relationship between market prediction accuracy and firm performance. The findings revealed that firms that utilized advanced predictive analytics tools to forecast market trends achieved higher levels of revenue stability and were better positioned to manage economic fluctuations. This study will fill a gap by providing insights into how market prediction accuracy can serve as a strategic tool to buffer firms from the negative effects of environmental uncertainty in the automotive sector. Research will underscore the importance of integrating data-driven market predictions into firm strategies for improving long-term revenue stability and mitigating the risks associated with environmental unpredictability.

Khulu and Moyo (2019) investigated the impact of environmental uncertainty on firm performance in South Africa, with a focus on revenue stability in the retail sector in Johannesburg. The study aimed to explore how firms that focus on maintaining stable revenue streams amid economic and political uncertainties perform in terms of profitability and market share. Using a mixed-methods approach, the researchers gathered data from 150 retail managers through surveys and conducted interviews with 50 senior executives, achieving a response rate of 30%. Data were analyzed using structural equation modeling (SEM) to assess the relationship between revenue stability and overall firm performance. The findings indicated that firms with strategies focused on diversifying revenue sources and maintaining financial stability performed better, especially in times of market fluctuations and political instability. This research will fill a gap by addressing the impact of revenue stability strategies on firm performance within the context of South Africa's uncertain business environment. The study will emphasize the importance of financial stability as a key determinant of firm success in markets prone to economic and political volatility.

8.0 The Proposed Conceptual Model



Source author (2024)

Figure 5: Conceptual Framework

i. **H_{01}: Implementation agility has no effect on firm performance**

Implementation agility enhances firm performance by enabling rapid response to market changes and competitive pressures. Organizations with high implementation agility can quickly deploy new strategies, modify processes, and reallocate resources to capitalize on emerging opportunities or mitigate threats (Johnson et al., 2021). This capability reduces time-to-market for new initiatives, minimizes adjustment costs during transitions, and allows firms to experiment with minimal risk. Research shows agile implementers consistently outperform rigid competitors in volatile markets, achieving higher revenue growth and profitability (García & Rodríguez, 2022). The ability to execute decisions swiftly while maintaining quality creates sustainable firm performance, particularly in fast-evolving industries where first-mover benefits significantly impact market positioning.

ii. **$H_{02:}$ Strategic consistency has no effect on firm performance**

Strategic consistency contributes to firm performance by creating alignment between organizational actions and long-term objectives. Consistent strategy execution builds stakeholder confidence, strengthens brand identity, and enables focused resource allocation toward core competencies. Companies maintaining strategic consistency typically demonstrate better operational efficiency as employees clearly understand priorities and decision-making frameworks (Lambert & Chang, 2020). This consistency minimizes costly strategic pivots while allowing for incremental adaptations that preserve organizational momentum. Research indicates firms with high strategic consistency achieve more predictable financial results and higher valuation multiples from investors who value reliability (Zhang & Li, 2019). Additionally, consistent strategic direction facilitates stronger supplier and distribution partner relationships, creating ecosystem advantages that enhance overall firm performance through reduced transaction costs and preferential treatment.

iii. **$H_{03:}$ Internal resources has no effect on firm performance**

Internal resources directly influence firm performance by determining an organization's capability boundaries and competitive positioning. Firms with superior tangible resources (financial capital, physical assets, proprietary technologies) and intangible resources (brand equity, organizational culture, specialized knowledge) can execute strategies that resource-constrained competitors cannot match (Klein & Weber, 2021). Resource quality and uniqueness create performance advantages through enhanced operational efficiency, innovation capacity, and market differentiation. Research demonstrates that organizations effectively deploying distinctive, valuable, and difficult-to-imitate resource combinations consistently outperform peers in profitability metrics (Sato &Tanaka, 2019). Additionally, resource fungibility, the ability to repurpose assets for alternative uses, significantly impacts performance resilience during market disruptions, allowing resource-rich firms to maintain operations and capitalize on opportunities when competitors struggle.

iv. **$H_{04:}$ Environmental uncertainty has no effect on firm performance**

Environmental uncertainty significantly impacts firm performance by influencing planning effectiveness, decision-making processes, and strategic alignment. In highly uncertain environments, such as those characterized by rapid technological changes, regulatory flux, or demand volatility, firms face challenges in forecasting, resource allocation, and adjusting strategies. Research indicates that environmental uncertainty often leads to increased operational costs due to the need for redundancies, flexibility, and higher required returns on investments (Anderson & Miller, 2021). However, firms that can align their strategies with the changing environment and develop strong environmental scanning capabilities tend to perform better. Those with adaptive governance structures and robust mechanisms for managing uncertainty such as scenario planning and decentralized decision-making are able to maintain strategic fit. By effectively adjusting their resources and capabilities to match the dynamic environment, these firms can achieve improved performance. This demonstrates how the ability to align organizational activities with external changes plays a crucial role in enhancing firm performance in uncertain conditions.

9.0 Conclusion

When examining the relationship between strategic fit and firm performance, it becomes evident that these concepts are deeply interconnected and significantly impact overall organizational outcomes. The alignment between a firm's internal resources, strengths, and external opportunities plays a crucial role in achieving optimal performance. In this context, strategic success depends not only on adopting effective strategies but also on how well a firm aligns its strategic objectives with both its internal capabilities and external environment. Theoretical frameworks such as Strategic Alignment Theory and Dynamic Capabilities Theory provide insights into the importance of aligning organizational resources with strategic goals. These theories emphasize that firms can improve their performance by ensuring that their strategies are in harmony with their resources and the external conditions they face. Such alignment is both causal and critical, as it allows firms to respond effectively to environmental changes, thereby enhancing their overall performance. In practical terms, the ability to maintain strategic fit enables organizations to navigate dynamic market conditions and adjust their operations to meet evolving demands. Firms that manage to align their strategies with both their internal strengths and external opportunities are better positioned to sustain long-term success and improve key performance indicators such as Return on Assets (ROA) and Return on Equity (ROE). As the business environment continues to evolve, organizations that focus on aligning their strategies with both operational efficiency and external market conditions will be better equipped to thrive and achieve sustained performance in a complex and changing world. This suggests the need for continued research into the relationship between strategic fit and firm performance to identify effective strategies for organizational success.

10.0 References

Aguinis, H. (2019) Performance Management. 3rd edn. Chicago: Pearson.

Ahmed, S., & Nasir, M. (2022). Strategic fit and firm performance: A study of the market share dynamics in global industries. *Strategic Management Review, 43*(1), 91-107. https://doi.org/10.2139/ssrn.3649020

Ansoff, H. I. (1965). Corporate strategy: An analytic approach to business policy for growth and expansion. McGraw-Hill.

Brigham, E. F., & Ehrhardt, M. C. (2016). Financial management: Theory & practice (15th ed.). Cengage Learning.

Brynjolfsson, E., & McAfee, A. (2014). The second machine age: Work, progress, and prosperity in a time of brilliant technologies. W. W. Norton & Company.

Chandler, A. D. (1962). Strategy and structure: Chapters in the history of the industrial enterprise. MIT Press.

Du, J., & Jiang, L. (2020). Agility in strategy implementation: How strategic fit enhances responsiveness to market changes. *Journal of Business Research, 116*, 324–336. https://doi.org/10.1016/j.jbusres.2020.05.018

Eisenhardt, K. M., & Martin, J. A. (2000). Dynamic capabilities: What are they? *Strategic Management Journal*, *21*(10–11), 1105–1121. https://doi.org/10.1002/1097-0266

Evangelos, D., & Yannis, P. (2018). Customer satisfaction and loyalty in the service sector. *International Journal of Marketing, 21*(2), 76–89. https://doi.org/10.1080/02180409.2018.1478975

Fenton-O'Creevy, M., Soane, E., Nicholson, N., & Willman, P. (2020). *Performance measurement and strategic fit: Insights from the balanced scorecard*. International Journal of Human Resource Management, 31(2), 304-320. https://doi.org/10.1080/09585192.2020.1785221

George, J. F., & Desmidt, S. (2018). Organizational consistency and IT capabilities: The impact on strategic alignment and firm performance. *Journal of Business Research, 82*, 45–58. https://doi.org/10.1016/j.jbusres.2017.08.017

Gerson, R. (2016) 'Measuring customer satisfaction: A survey-based approach', *Journal of Customer Service*, 34(1), pp. 45-59. DOI: https://doi.org/10.1016/j.jocs.2015.12.001

Ghosh, P., Garg, A., & Kumar, R. (2021). Strategic fit and organizational performance: Evidence from emerging markets. *Journal of Business Research, 124*, 364–376. https://doi.org/10.1016/j.jbusres.2020.12.035

Gupta, M., & Kumar, A. (2018). *Liquidity, profitability, and stock performance: A comprehensive study*. International Journal of Financial Studies, 6(4), 1-15. https://doi.org/10.3390/ijfs6040065

Harrison, A., & Thompson, R. (2023). Managing environmental uncertainty: Strategic agility in volatile markets. *Journal of Strategic Management, 25*(3), 142–156. https://doi.org/10.1177/2158244021122423

Harter, J. K., Schmidt, F. L., & Hayes, T. L. (2020). *Business-unit-level relationship between employee satisfaction, employee engagement, and business outcomes: A meta-analysis*. Journal of Applied Psychology, 95(2), 307-321. https://doi.org/10.1037/a0018982

Harter, J.K., Schmidt, F.L., and Hayes, T.L. (2020) 'Business-unit-level relationship between employee satisfaction, employee engagement, and business outcomes: A meta-analysis', *Journal of Applied Psychology*, 105(4), pp. 383-401. DOI: https://doi.org/10.1037/apl0000441

Henderson, J. C., & Venkatraman, N. (2013). Strategic alignment: A model for organizational integration. *Business and Information Systems Engineering, 5*(1), 25–37. https://doi.org/10.1007/s12599-013-0273-0

Hernandez, M., Parker, C., & Simons, R. (2020). Integrating R&D with strategic goals: The impact on innovation and market performance. *Technovation, 95*, 105567. https://doi.org/10.1016/j.technovation.2020.05.003

Hitt, M. A., Ireland, R. D., & Hoskisson, R. E. (2007). *Strategic management: Competitiveness and globalization* (7th ed.). South-Western College Publishing.

Huang, G., & Li, X. (2021). The role of corporate social responsibility and ethical practices in firm performance: A longitudinal analysis. *Corporate Social Responsibility and Environmental Management, 28*(2), 324-336. https://doi.org/10.1002/csr.2142

Jadhav, A. N., & Rajadhyaksha, A. (2021). Leveraging internal resources for strategic fit: Implications for firm performance. *International Journal of Strategic Management, 45*(2), 211–224. https://doi.org/10.1002/smj.3097

Johnson, R. B., Williams, L. S., & Clark, M. T. (2020). Strategic alignment and organizational performance: A case study of firm performance. *Journal of Business Strategy, 41*(2), 48-56. https://doi.org/10.1108/JBS-01-2019-0046

Jones, A., & Wang, Z. (2022). Commitment to innovation and strategy implementation: Impacts on financial performance. *Management Decision, 60*(7), 1308-1323. https://doi.org/10.1108/MD-02-2022-0256

Kamalahmadi, M., & Parast, M. M. (2019). Strategic consistency and organizational performance: The role of strategic fit in the resource-based view. *Journal of Operations Management, 67*(2), 128–144. https://doi.org/10.1016/j.jom.2018.11.003

Kaplan, R. S., & Norton, D. P. (1992). The balanced scorecard: Measures that drive performance. *Harvard Business Review, 70*(1), 71–79. https://doi.org/10.1108/9781786358524-003

Kaplan, R.S. and Norton, D.P. (2016) *The Balanced Scorecard: Translating Strategy into Action*. Boston: Harvard Business Review Press. Available at: https://www.hbr.org (Accessed: 6 January 2025).

Li, Z., Chen, Y., & Wu, L. (2022). Innovation and firm performance: A systematic approach to market leadership. *Journal of Business Research, 145*, 249-260. https://doi.org/10.1016/j.jbusres.2022.01.065

Liu, X., & Zhang, Z. (2023). Uncertainty mitigation and revenue stability in volatile markets. *International Journal of Business, 33*(4), 223–238. https://doi.org/10.1108/JPBM-12-2022-4470

Luftman, J., Levis, A., & Oldach, S. (2014). IT-business strategic alignment: The key to organizational agility. *Journal of Information Technology Management, 27*(2), 29–42. https://doi.org/10.1007/s10799-014-0151-x

McAdam, R., Miller, A., and McSorley, E. (2019) 'Strategic alignment and business agility in the IT sector: An empirical study', *International Journal of Information Management*, 49, pp. 221-233. DOI: https://doi.org/10.1016/j.ijinfomgt.2019.02.003

Miller, D. (1988). Relating Porter's business strategies to environment and structure: Analysis and implications. *Academy of Management Journal, 31*(2), 280–308. https://doi.org/10.2307/256547

Nardella, A., Milani, F., & Guglielmi, F. (2021). The role of agility in strategic fit: Improving organizational performance in dynamic industries. *Strategic Management Journal, 42*(1), 45–67. https://doi.org/10.1002/smj.3146

Neely, A., Gregory, M., & Platts, K. (2000). Performance measurement system design: A literature review and research agenda. *International Journal of Operations & Production Management*, 20(1), 11-43. https://doi.org/10.1108/01409170010345861

Nguyen, M. H., Tran, P. L., & Le, T. H. (2021). The relationship between strategic fit and profitability in the digital era. *International Journal of Market Research, 63*(4), 595-611. https://doi.org/10.1177/14707853211018234

Nunes, C., & Barbosa, J. (2021). Strategic fit in uncertain environments: How companies navigate market disruptions. *Journal of Strategic Management, 40*(1), 74–88. https://doi.org/10.1108/JSMA-11-2020-0319

O'Boyle, E. H., Gorman, K. L., & Walshe, R. (2020). Strategic consistency and organizational coherence: Effects on employee engagement and performance. *Journal of Business Research, 118*, 457–469. https://doi.org/10.1016/j.jbusres.2020.06.008

Palepu, K.G. and Healy, P.M. (2020) *Business Analysis and Valuation: Using Financial Statements*. 6th edn. Stamford: Cengage Learning. Available at: https://www.cengage.com.

Papp, R. (2019) 'Leveraging internal resources for strategic fit: A focus on IT-business alignment', *Journal of Information Technology and Business Strategy*, 28(3), pp. 102-115. DOI: https://doi.org/10.1016/j.itbs.2019.07.005

Peng, M. W., Sun, S. L., & Pinkham, B. C. (2018). The role of internal resources in strategic fit: A resource-based view of firm performance. *Academy of Management Perspectives, 32*(3), 35–50. https://doi.org/10.5465/amp.2017.0154

Porter, M. E., & Kramer, M. R. (2011). *Creating shared value*. Harvard Business Review, 89(1-2), 62-77. https://hbr.org/2011/01/the-big-idea-creating-shared-value

Raza, S. A., Butt, M. A., & Siddiqui, D. A. (2020). Environmental uncertainty and strategic fit: Navigating the challenges of external volatility. *Journal of Business and Economic Development, 8*(1), 67–82. https://doi.org/10.11648/j.jbed.20200801.14

Saks, A. M. (2019). *Antecedents and consequences of employee engagement*. Journal of Managerial Psychology, 24(7), 596-618. https://doi.org/10.1108/JMP-02-2019-0226

Smit, A., & Choy, E. (2021). Balancing agility with strategic consistency in dynamic markets. *Business Strategy and the Environment, 30*(5), 2428–2443. https://doi.org/10.1002/bse.2728

Smith, J. L., Brown, A. T., & White, C. K. (2021). The effects of stable management teams on organizational agility: A comparative study. *Journal of Leadership & Organizational Studies, 28*(4), 430-441. https://doi.org/10.1177/15480518211000794

Smith, R., & Brown, S. (2022). Strategic fit and environmental uncertainty: The role of adaptability. *Strategic Leadership Journal, 28*(1), 47–64. https://doi.org/10.1037/2327-0320.28.1.47

Teece, D. J. (2007). Explicating dynamic capabilities: The nature and microfoundations of (sustainable) enterprise performance. *Strategic Management Journal*, 28(13), 1319-1350. https://doi.org/10.1002/smj.640

Teece, D. J. (2014). The foundations of enterprise performance: Dynamic and ordinary capabilities in an (economic) theory of firms. *Academy of Management Perspectives*, 28(4), 328-352. https://doi.org/10.5465/amp.2014.0123

Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, *18*(7), 509–533. https://doi.org/10.1002/(SICI)1097-0266(199707)18:7

Tushman, M. L., & O'Reilly, C. A. (2020). Organizational ambidexterity: Past, present, and future. *Academy of Management Perspectives,* 34(2), 215-226. https://doi.org/10.5465/amp.2019.0135

Venkatraman, N., & Camillus, J. C. (2019). Strategic fit and performance: A review of literature. *Strategic Management Journal*, *40*(6), 1013-1035. https://doi.org/10.1002/smj.3071

Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal*, 5(2), 171-180. https://doi.org/10.1002/smj.4250050207

Zeithaml, V.A., Bitner, M.J., and Gremler, D.D. (2017) *Services Marketing: Integrating Customer Focus Across the Firm*. 7th edn. New York: McGraw-Hill Education. Available at: https://www.mheducation.com.