The Impact of Stakeholder Orientation on Business Performance: The Case of a set of Companies in Algeria

أثر توجهات أصحاب المصلحة على أداء الأعمال: حالة مجموعة من الشركات في الجزائر

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الملخص:

الغرض من هذا البحث هو دراسة تأثير توجهات أصحاب المصلحة على أداء المؤسسات استناداً إلى نظرية أصحاب المصلحة Freeman (1984). حيث تم تحديد أربع مجموعات من أصحاب المصلحة والتي لها صلة مباشرة مع المؤسسات وتتمثل في: العملاء، المنافسين، الموظفين والمساهمين. في مجال إدارة الأعمال يتم النظر الى أداء المنظمات من خلال مجالين رئيسيين: الأول ويخص الأداء المالي والسوقي والثاني الأداء الاجتماعي. أجريت الدراسة عن طريق توزيع 120 استبيان على مجموعة من المؤسسات الجزائرية. كانت نتائج دراستنا مشابهة لنتائج بعض الدراسات السابقة في بعض الأبعاد واختلفت في أبعاد أخرى كالدراسات التي أجريت في الولايات المتحدة والمملكة المتحدة وكذا الدراسات الآسوية مثل دراسة Chung-Leung Luk, et al (2005. حيث أشارت النتائج إلى أن توجهات أصحاب المصلحة في الشركات الجزائرية لها تأثير على الأداء سواء كانت مالية، سوقية أو اجتماعية. وأجريت الدراسة عن طريق اختبار الفرضية باستخدام المعادلات الهيكلية.

الكلمات المفتاحية : توجهات أصحاب المصلحة، نظرية أصحاب المصلحة، أداء المنظمات، الأداء المالي والسوقي، الأداء الاجتماعي.

Abstract :

The purpose of this research is to examine the impact of stakeholder orientations on business performance based on the stakeholder theory of Freeman (1984). Where, four stakeholder groups have repeatedly been identified as relevant to most corporations: customers, competitors, employees, and shareholders. Business performance was considered through two main areas of performance: financial and market, social performance, where, the study was conducted by distributing a questionnaire on a group of Algerian enterprises using a sample of 120 companies. Based on previous studies that diversed from the United States and the United Kingdom context to the Asian context as came in the Chung-Leung Luk, & al, (2005) study. The results of our study were similar to the results of previous studies in some dimensions and differed in other dimensions. Where the results indicated that the stakeholders orientation of Algerian enterprises have an impact on the performance of business, whether financial, market or social. This was done by testing the hypothesis using structural equation modeling.

Key Words: Stakeholder Orientations, Stakeholder Theory, Business Performance, Financial And Market Performance, Social Performance.

JEL Classification : G32,L21, L25.

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Introduction :

Chung-Leung Luk, & al (2005) emphasized in his study that business practitioners are increasingly concerned stakeholder issues about their impact on business performance. The true strength of Freeman's (1984) stakeholder theory lies with its simultaneous consideration of all relevant stakeholders. Rather than a collection of individual effects, the combined effects of different stakeholder orientations are the essence of competitive advantage. Thus, we will examine these combined effects.

To develop the stakeholder orientation as an integral part of international-marketing theory, it is necessary to study how the stakeholder orientation works in different market structures, especially in transition economies such as the Algerian economy. This study seeks to provide a knowledge framework (theoretical and practical) by examining the role of stakeholders' orientations in improving the business performance of a group of Algerian companies.

Theoretical framework

1.Review literature and hypotheses

1.1. Stakeholder theory

Although Freeman's early work introduced many of the central themes of stakeholder- related research, the conceptual contribution of Donaldson and Preston (1995) has framed much of the recent dialogue and suggested why little serious empirical work has been attempted. Their taxonomy of stakeholder theory types-normative, instrumental, and descriptive/empirical-has required the authors of subsequent work to become more precise in their terminology and more coherent in their thinking about stakeholder relationships (Shawn L. Berman A. C., (1999),) . Stakeholder adopter marketers have shifted the firm's focus to a broader set of stakeholders, including suppliers, employees, regulators, shareholders, and the local community (Foxall, (1997),).Firms now widely embrace the concept of stakeholders (O.C. Ferrell T. L.-P., (2010),) .

Today's economic realities underscore the essence of stakeholder theory regarding the creation of economic value by individuals who meet voluntarily come together and cooperate to improve everyone's conditions (R. Edward Freeman A. C., (2004),) .

Freeman defined a stakeholder as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Success or failure of the organization) (Freeman, 1984), (Shawn L. Berman L. B., (1999)), (Chung-Leung Luk, (2005)) .

There is a divergence of views on stakeholder groups. For example, the new classic economic theories, such as the Jensen and Meckling's (1976) agency theory, focus exclusively on the interests of one of the stakeholders, is the business owners (Michael C. Jensen and William H. Mecking, (1976)) · The marketing literature, mainly the literature on market orientation (Jaworski and Kohli 1993; Narver and

Slater 1990) (Bernard J. Jaworski and Ajay K. Kohli, (1993)) , (Slater, (1990),) · has focused on two other stakeholders which are represented in customers and competitors. However, Freeman's (1984) stakeholder theory accords importance to all relevant stakeholders. A company's stakeholder orientation represents how much the company attends to the interests of all its relevant stakeholders and thus attempts to address such interests (Foxall, (1997),) (Chung-Leung Luk, (2005))

a. Stakeholder orientations

Greenley and Foxall (1997) identified stakeholder orientations as the strategic focus of the organization on the diverse interests of stakeholder groups such as customers, shareholders and employees (Robert J. Duesing, (2013),),where we find that the stakeholders perspective according to Freeman (1984) takes into account all the interests of the groups for which firms are responsible (O.C. Ferrell &. a., (2010),). An individual or group is considered as a stakeholder of a business unit when anyone of three characteristics applies: (1) when the actor has the potential to be positively or negatively affected by organizational activities and/or is concerned about the organization's impact on his or her or others' well-being, (2) when the actor can withdraw or grant resources needed for organizational activities, or (3) when the actor is valued by the organizational culture (Frooman, (1999),) , (Rowley T. J., (1997),) .

Berman et al. (1999) identified the firm's stakeholder orientation is a holistic sense, of a firm's overall approach toward managing stakeholder relationships (Robert A. Phillips, (2010),) .

O.C. Ferrell, & al (2010) put forward a preliminary definition of stakeholder orientation as the organizational culture and behaviors that induce organizational members to be continuously aware of and proactively act on a variety of stakeholder issues. Importantly, stakeholder orientation stimulates a general concern for a variety of actors rather than focusing on any specific group (O.C. Ferrell T. L.-P., (2010),).

b. Components of stakeholder orientations

Greenley and Foxall (1997) identified four stakeholder groups relevant to most companies: customers, competitors, employees, and shareholders (Foxall, (1997),). According to Nerver and Slater (1990) the first two stakeholders - customers and competitors - are the components of market orientation (Slater, (1990),) , (Chung-Leung Luk, (2005)) .

According to Shawn L. Berman, & al (1999), groups that are commonly cited as stakeholders include (but are not limited to) customers, suppliers, employees, local communities, governments, and shareholders (Shawn L. Berman A. C., (1999),) .

While O.C. Ferrell, & al (2010) Confirmed, that employees, customers, shareholders, regulators and suppliers are among the stakeholders. He also noted that there was some discussion for other potential stakeholders, including local communities and the natural environment (Chung-Leung Luk, (2005)).

Rowley and Moldoveanu (2003) suggest that the identification of stakeholder group is associated with likelihood of stakeholder mobilization (Rowley T. J., (2003)) , (Robert A. Phillips, (2010),). Below we review some stakeholders.

c. Customer Orientation. Customer orientation refers to a firm's focus on customer interests. The importance of customers has led to the development of the marketing concept (Deshpande, Farley, and Webster 1993; Jaworski and Kohli 1993). Drucker (1954) has gone so far as to state that the only valid purpose of a company is to create a customer (Chung-Leung Luk, (2005)) .Deshpande, Farley, and Webster (1993) note that customers are the primary source of a company's revenue (Deshpande, (1993),) . A company must be able to predict, understand, and possibly control customer needs and tastes. Thus, a customer-oriented company tends to invest a large portion of its resources to achieve these goals, instilling in its employees a positive attitude toward creating customer value and training its employees to deliver superior customer value (Homburg, (2000),) .

A great deal of research has been conducted to assess the effects of firm-customer relationships on financial performance. Waddock & Graves (1997) confirmed that most of these results suggest that investors expect customers to react positively. For example, positive customer perceptions about product quality and safety may lead to increased sales or decreased costs associated with stakeholder relationships (Shawn L. Berman A. C., (1999),) .

d. Competitor Orientation. According to Freeman (1984) competitors are the stakeholders that exercise competitive threats. Therefore, competitor orientation focuses on competitor interests. According to Lumpkin and Dess (1996) a company must pay close attention to its competitors' interests so that it can neutralize their business strategies (Lumpkin, (1996),) · According to Greenley and Foxall (1997) a company must outperform its competitors so that it will not lose customers to them (Foxall, (1997),) . According to Narver and Slater (1990) to achieve this, a company must be able to predict, monitor, understand, and counteract the activities of its competitors. However, the company must also adhere to the rule of fair competition and respect the competitors' legitimate rights (Slater, (1990),) ·

e. Employee Orientation. According to Webster (1992) employee orientation refers to how a company addresses the interests of its employees and satisfies their employment needs (Webster, (1992),) . Where Hooley and al. (2000) refer that an employee-oriented company is willing to commit resources to promote various forms of employee welfare, such as job security and job satisfaction. According to research on human resource management, satisfied employees have greater morale and job motivation; work harder, more effectively, and more efficiently; and bring about a higher level of organizational effectiveness reversing unsatisfied employees. Kotter and Heskett (1992); Koys (2001); Webster (1992) comfirmed that if frontline employees are satisfied with their employment, they will serve their customers better, which will lead to a higher level of customer satisfaction and thus better sales (Chung-Leung Luk, (2005)).

With regard to the impact of human resources on business performance, there is a range of theory and some empirical evidence suggest that how a firm manages its employees and affect its financial performance (Delery, (1996)) , (Pfeffer J. , (1994)). Shawn L. Berman, & al (1999) explicitly emphasized human resources as an extremely valuable source of competitive advantage for firms (Shawn L. Berman A. C., (1999),). Broadly speaking, Becker & Gerhart, 1996, emphasized this advantage is achieved through increased efficiency or differential revenue growth (Becker, (1996)).

Shawn L. Berman, & al (1999) points to the potential for human resources practices to lower turnover and absenteeism, improve productivity, and increase worker commitment and effort. There is also evidence suggesting that properly designed and integrated human resources practices may, in combination, produce positive effects that go beyond what specific individual initiatives could accomplish. Some empirical evidence also such as Youndt et al. (1996),suggest that firm strategy-human resources fit is important for enhancing financial performance (Shawn L. Berman A. C., (1999),).

f. Shareholders orientation

Sundaram and Inkpen (2004) noted that shareholders are stakeholders and cannot be separated (R. Edward Freeman A. C., (2004),). In neoclassical economic theories and according to Quinn and Jones (1995), owners or shareholders are the only legitimate stakeholders of a company. Samuels, Wilkes, and Brayshaw (1990) comfirmed that a shareholder orientation represents how willing the management team is to take care of shareholders' interests. If the management team is committed to shareholders' interests, it will try hard to maximize profits (Chung-Leung Luk, (2005))

1.2. Stakeholder orientation models

There are two approaches to stakeholder orientation, the effective approach and the normative approach:

a. Strategic stakeholder management: Effective approach (or what can be called by Goodpaster (1991) Strategic Approach)

A fundamental assumption of this type of model is that the ultimate objective of corporate decisions is marketplace success. Firms view their stakeholders as part of an environment that must be managed in order to assure revenues, profits, which returns to shareholders. Therefore, the firm's goal is the advancement of the interests of only one stakeholder group-its shareholders (Shawn L. Berman A. C., (1999),). According to Pfeffer & Salancik,(1978) attention to stakeholder concerns may help a firm avoid decisions that might prompt stakeholders to undercut or abort their objectives. This possibility arises because it is the stakeholders who control resources that can facilitate or enhance the implementation of corporate decisions (Pfeffer J. &., (1978)).

The basic assumption of the model according to (Freeman, 1984) is that the objective of managers is to maximize profits, not to advance the morally legitimate claims of stakeholders other than shareholders. That is, managers care only about serving shareholder interests and treat other stakeholders only as a means to realizing that goal (Shawn L. Berman A. C., (1999),)

b. Intrinsic Stakeholder Commitment: A Normative Approach (or what can be called by Goodpaster (1991) the multilateral approach)

Stakeholder theory is grounded on the normative assumption that "all persons or groups with legitimate interests participating in an enterprise do so to obtain benefits and that there is no prima facie priority of one set of interests and benefits over another" (Mitchell, (1997),). Donaldson and Preston (1995) amphasizes that the stakeholder perspective recognizes the intrinsic value of all stakeholders, it also acknowledges the need for firms to serve the interests of key stakeholder groups to secure their continued support (O.C. Ferrell &. a., (2010),).

Donaldson & Preston (1995) also confirm that the normative aspect has two assumptions that are different from shareholder value theory: relational interest compared with self-interest and balancing instead of maximizing performance for shareholders only (Daniel K. Saint, (2008)).

Preston & Donaldson (1999) also emphasized that the fundamental basis for the stakeholder theory is "normative" in the moral/ethical sense (Lee E. Preston and Thomas Donaldson, (1999),). Shawn L. Berman, & al (1999) also points out that managerial relationships with stakeholders are based on normative, moral commitments rather than on a desire to use those stakeholders solely to maximize profits (Shawn L. Berman A. C., (1999),).

1.3. Financial and social performance

a. Financial performance

Performance measurement was based mainly on financial indicators, which are a components of the planning and control cycle, to a holistic view based on multiple non-financial indicators. Performance measurement acts are an integrated, independent process from a wide range of activities (Henri, 2004) ،(Zellars & Fiorito, 1999) , performance measurement is the process of measuring the efficiency and effectiveness of a purposeful work and needs to be reviewed by management to determine whether the organization is achieving its goals or not (Äikäs, 2011) ، (Mutonyi & Gyau, 2013).

Performance measurement systems are primarily based on financial, operational or both (Venkatraman & Ramanujam, 1986). The Kaplan and Norton 2001 study then add three areas of performance to the financial dimension: clients, internal business processes, As well as learning and growth (Henri, 2004) **,** (Äikäs, 2011) .

b. Social performance

Chung-Leung Luk, & al (2005) emphasized that corporate social performance reflects how well a company transforms stakeholder orientation, a managerial attitude, into stakeholder satisfaction. Assessing corporate social performance in addition to financial and market performance can ensure that company performance incorporates multiple perspectives, not just the perspective of shareholders (Chung-Leung Luk, (2005)) . According to Clarkson (1995), corporate social responsibility includes the promotion of customer and employee welfare (Clarkson, (1995),). Managers therefore have ethical commitments to stakeholders (Robert A. Phillips, (2010),).

Robert A. Phillips, & al. (2010) also emphasized that a positive relationship between social and financial performance may be more prominent in firms with high-discretion managers which choose a broad orientation and are rewarded with cooperation by at least most of their stakeholders. On the contrary to a negative relationship between social and financial performance may be more prominent in firms with high-discretion managers who choose a narrow orientation (e.g. focused on financiers) and thus perform well on financial measures but not on broader ones (Robert A. Phillips, (2010),) .

2. Hypotheses

Under these literatures we can formulate the following hypothesis:

Hypothesis: There is a significant effect of the stakeholder groups on the business performance (the financial and market performance and social performance) of Algerian enterprises.

3. Empirical Study

3.1. Sample identification and data collection

The data was collected personally by the questionnaire that was directed at a sample of managers and their assistants, the questionnaire was explained before it was answered to achieve the research objectives, where the questionnaire sent to a group of small and medium enterprises, including its departments and sections, at the level of seven states located in the north-west of Algeria according to the administrative division of the National Bureau of Statistics (Statistiques., 2012): Tlemcen, Oran, Mascara, Relizane, Aïn Témouchent, Mostaganem, Sidi Bel Abbès. A total of 160 questionnaires were distributed randomly on the basis of the number of small and medium enterprises and the departments of the sample of the study randomly, 120 of them were retrieved, representing 75 % of all distributed forms.

We used modeling structural equations to analyze data. Relying on a group of previous research: Jin K. Han, & al. (1998). John Kuada and Seth N. Buatsi. (2005). Neil A. Morgan, & al. (2009). Inés Küster and Natalia Vila. (2011). Eun Jin Hwang and Marjorie J. T. Norton. (2014).

3.2. Methodology

In this study, we relied on a set of variables, which consisted of four stakeholder groups have repeatedly been identified as relevant to most corporations: customers, competitors, employees, and shareholders. Business performance was considered through two main areas of performance: financial and market performance, corporate social performance, where, the customer and competitor orientations were measured based on the items quoted from Narver and Slater's (1990) market orientation scale. To measure employees orientation, Lings, Greenley, and Broderick (2000) scale were used based on the Chung-Leung Luk, & al (2005) study. The items that measure shareholder orientation are based on the Greenley and colleagues (2002) scale based on the Chung-Leung Luk, & al (2005) study. Based on the Chung-Leung Luk, & al (2005) study, we adopted the items that measure financial and market performance from Greenley and Foxall's (1996, 1997, 1998). As well as we adopted the items that measure corporate social performance from the work of Greenley and colleagues (2002).

To measure the items of these variables, we used Likert scale of five degree to measure response intensity according to the following coding: from strongly disagree (1) to strongly agree (5) (Brown, 2011).

The reliability of each scale was estimated by calculating the Cronbach alpha Coefficient, which are acceptable in management and behavioral studies if they exceed the levels recommended by Nunnally (1978) (value of 0.70 or greater) (Rothbard, 2003).

a. Reliability Analysis of items

We used the Kronbach alpha coefficient to measure the reliability of items that measure study variables, which included four stakeholder groups: customers, competitors, employees, and shareholders. Two dimensions of business performance: financial and market performance, corporate social performance. The results are listed in Table (1), where we found the value of alpha cronbach acceptable and statistically significant according to Nunnally (1978)).

Table 1. Reliability test results

Study Variables	Stakeholder Orientations				Business Performance	
	customers	competitors	Employees	Shareholders	financial and market performance	social performance
Test Cronbach Alpha	0,869	0,904	0,949	0,920	0,848	0,801

Source: Prepared by the researcher based on SPSS20 outputs

Through the Table (1), we note that the results of the Alpha Cronbach test matches to the minimum alpha-cronbach acceptable in the management and behavioral studies.

b. Factor analysis

To test the validity of the scale, we conducted exploratory and confirmatory factor analysis for scales used in the study.

b.1. Structural honesty by exploratory factor analysis

The exploratory factor analysis reduces data size and abstraction and reduces many variables to a small number of factors based on the coefficient of correlation between variables.

Exploratory factor analysis with varimax rotation was performed on the data for four variables of Stakeholder Orientations. Two dimensions of Business Performance, to extract the relevant latent variables. Where: A suitable exploratory factor analysis was found with the KMO[1] sample accuracy by 85,5 % for Stakeholder Orientations, 78,1 % for Business Performance. The value of the Bartlett's Test[2] was statistically significant at (0.05), where the number of these factors is determined by those that have the Eigen Value greater than or equal to one to select the extracted factors.

b.2.Exploratory Factors Analysis of Stakeholder Orientations Variable[3]

The Statistical Analysis Program (SPSS) was used to conduct the exploratory factors analysis of stakeholder orientations variable. Table (2) shows the process of exploratory analysis consisting of a number of statements (the total numbers are 18 items). According to the results of factors analysis, item 6 was excluded to become 17 items instead of 18.

Table (2) : Exploratory Factors Analysis of Stakeholder Orientations variable

Items	Factors			
	1	2	3	4
Q1			,627	
Q2			,709	
Q3			,645	
Q4			,652	
Q5			,751	
Q7				,671
Q8				,831
Q9				,803
Q10		,947		
Q11		,698		
Q12		,753		
Q13		,963		
Q14	,962			
Q15	,709			
Q16	,777			
Q17	,841			
Q18	,696			

Source: Prepared by the researcher based on SPSS20 outputs

	% Accumulaties	73,757
Precision measurement of Kaiser-Meyer-Olkin sampling		,855
Bartlett Sphericity Test	Approximate chi-square	2007,529
	Df	136
	Signification of Bartlett	0,000

Source: Prepared by the researcher based on SPSS20 outputs

The results revealed four factors of the Stakeholder Orientations by 73,757 of the variance. Factor 1 (shareholders) included 5 items with a loading value from 0,696 to 0, 962. Factor 2 (employees) included 4 items with a load value from 0, 698 to 0, 963. Factor 3 (customers) included 5 items with a load value from 0, 627 to 0, 751. Factor 4 (competitors) include 3 items with a loading value from 0, 671 to 0, 831. Through these results 1 item was deleted. (Note the table (2)).

b.3.Exploratory Factors analysis of Business Performance Variable [4]

The Statistical Analysis Program (SPSS) was also used to conduct the exploratory analysis of business performance variable. Table (3) shows the process of exploratory analysis consisting of a number of statements (the total numbers are 11 items). According to the results of the analysis, items 24, 26 were excluded to become 9 items instead of 11 items.

Table (4) : Exploratory Factors Analysis of Business Performance Variable

Items	Factors	
	1	2
Q19	,836	
Q20	,870	
Q21	,978	
Q22	,508	
Q23	,536	
Q25		,707
Q27		,662
Q28		,873
Q29		,850

Source: Prepared by the researcher based on SPSS20 outputs

	% Accumulaties	61,269
Precision measurement of Kaiser-Meyer-Olkin sampling		,781
Bartlett Sphericity Test	Approximate chi-square	649,284
	Df	36
	Signification of Bartlett	0,000

Source: Prepared by the researcher based on SPSS20 outputs

The results revealed two factors of business performance by 61,269 of the variance. Factor 1 (financial and market performance) included 5 items with a load value from 0, 536 to 0, 978. Factor 2 (social performance) included 4 items with a loading value from 0, 662 to 0, 873.Through these results 2 items were deleted. (Note the table (4)).

b.4. Structural honesty by confirmatory factor analysis

This method is based on the Amos.v21 statistical program. In light of the assumption that the heterogeneity matrix of the variables involved in the analysis and the matrix is assumed by the model, many indicators of the quality of this conformance are produced and the assumed model of data is accepted or rejected. With conformity quality indicators[5], are as follows:

c. Overall Fit of the Measurement Model

The overall Fit of the measurement model was assessed by six goodness-of-fit measures (chi square, chi square/degrees of freedom ratio, standardized root mean square residual, root mean square error of approximation, goodness-of-fit index, and goodness-of-fit index adjusted for the degrees of freedom), As well as through other indicators. Note the test results in Table (5)

Table 5. Goodness-of-fit indexes of model

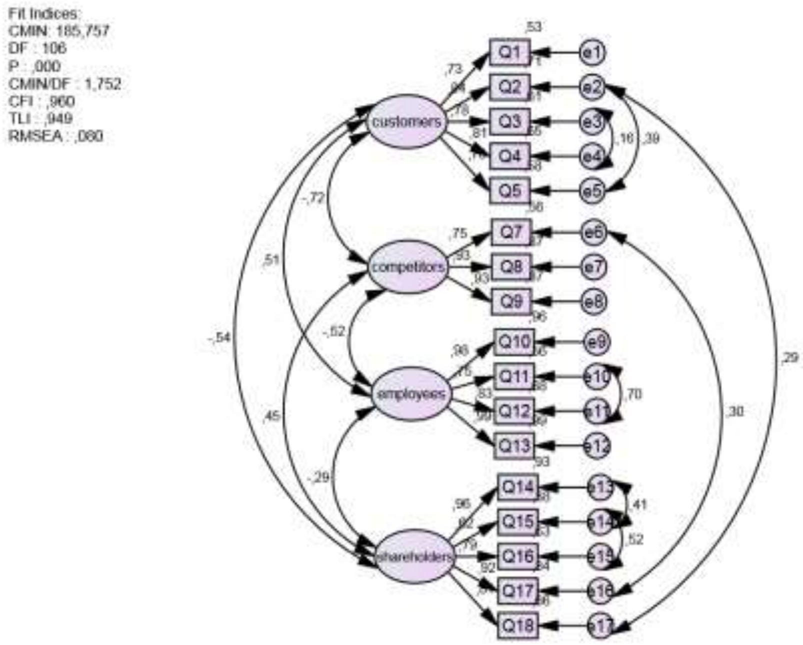
Goodness-of- fit indexes	index value	The ideal range of the index
The probability ratio of chi square	chi square= 185,757 df= 106 P-value= 0,000.	As small as possible Preferably zero
chi square/degrees of freedom	1,752	1< NC <5 Preferably 1< NC < 3
GFI	0,859	0< GFI < 1 preferably greater than 0.95
AGFI	0,796	0<AGFI < 1 preferably greater than 0.90
RMSEA	0, 080	0,05≤RMSEA < 0,08 Preferably less or equal to 0.05
IFI	0, 960	0< IFI < 1 preferably greater than 0.95
NFI	0, 913	0< NFI < 1 preferably greater than 0.90
CFI	0, 960	0< CFI < 1 preferably greater than 0.95
TLI	0, 949	0< TLI < 1 preferably greater than 0.95
AIC	279,757	As small as possible compared to a previous model
ECVI	2,351	As small as possible compared to a previous model
SRMR	0,0743	Preferably smaller than 0.08

Source: Prepared by the researcher based on Amos.v21 outputs.

Based on a study Jin K. Han, & al. (1998). Neil A. Morgan, & al. (2009). Inés Küster and Natalia Vila. (2011). Eun Jin Hwang and Marjorie J. T. Norton. (2014).

Table (5) shows that all goodness-fit indexes are almost existing within the ideal range for each indicator, so the model is fairly good. Figure (1) shows the schematic diagram of the factor model paths after the first and second modification which we took from the results of the Amos statistical package.

Fig.1



Source: Prepared by the researcher based on Amos 23 outputs

3.3 Hypothesis Testing and Discussion of Results

a.1. Evaluation of the construction model

The construction model is the model that shows a set of causal relationships among a set of observed and unobserved variables of each latent variable. Through our study we will try to study the effect of the stakeholder orientation's items on the business performance of Algerian institution. Before examining the impact of these items, we will attempt to evaluate the overall or structural model through the goodness-of-fit indexes that shown in Table (6) below:

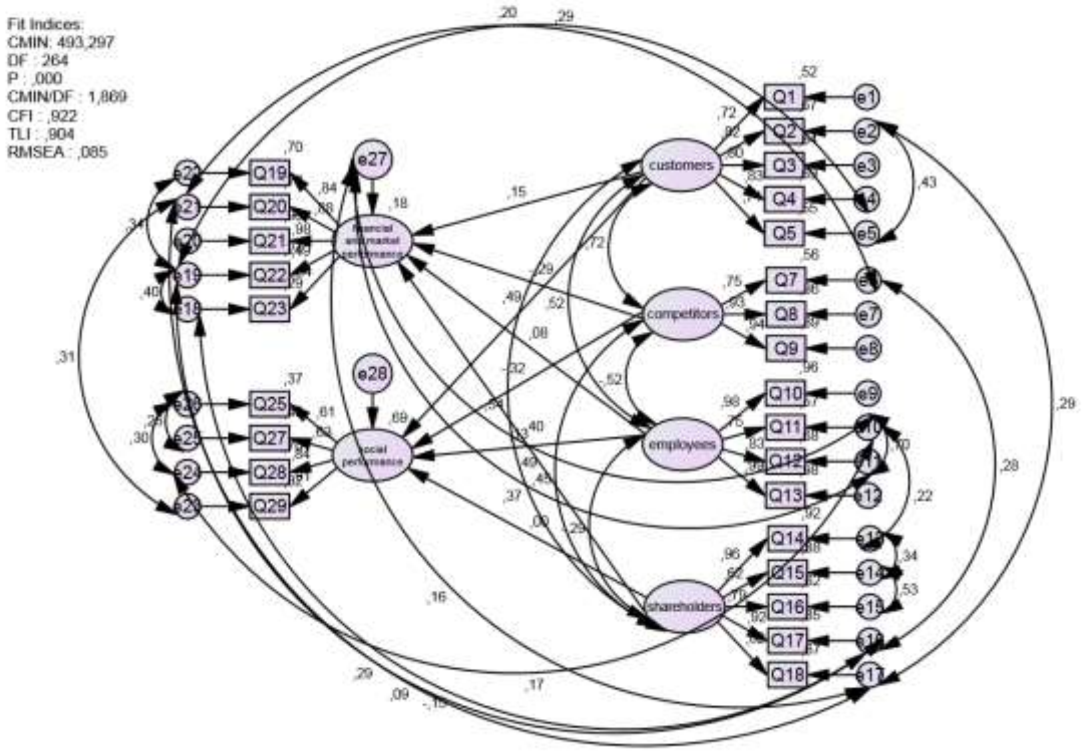
Table 6. Goodness-of-fit indexes of structural model of the impact of the stakeholder orientation on the business performance of Algerian institution

Goodness-of- fit indexes	index value	The ideal range of the index
The probability ratio of chi square	chi square= 493,297 df= 264 P-value= 0,000.	As small as possible Preferably zero
chi square/degrees of freedom	1,869	1< NC <5 Preferably 1< NC < 3
GFI	0,780	0< GFI < 1 preferably greater than 0.95
AGFI	0,707	0<AGFI < 1 preferably greater than 0.90
RMSEA	0, 085	0,05≤RMSEA < 0,08 Preferably less or equal to 0.05
IFI	0, 924	0< IFI < 1 preferably greater than 0.95
NFI	0, 849	0< NFI < 1 preferably greater than 0.90
CFI	0, 922	0< CFI < 1 preferably greater than 0.95
TLI	0, 904	0< TLI < 1 preferably greater than 0.95
AIC	667,297	As small as possible compared to a previous model
ECVI	5,608	As small as possible compared to a previous model
SRMR	0,090	Preferably smaller than 0.08

Source: Prepared by the researcher based on Amos.v21 outputs.

Table (6) shows that the model has contained fairly good values for indicators. Figure (2) below shows the schematic diagram of the factor model paths after the first and second modification that we took from the results of the Amos statistical package.

Fig.2



Source: Prepared by the researcher based on Amos 23 outputs

a.2.Hypothesis Testing

« Stakeholder orientation are positively affecting the financial and market performance and social performance of Algerian institution »

The hypothesis was tested using structural equation modeling (SEM) and modified data according to factor analysis. Structural equation modeling allows simultaneous testing the effects of external structures on the internal structures and the structures themselves on each other, as well as the relationships among the external structures. Our study included one external variable (stakeholder orientation), and two internal variables (business performance). The following table (7) shows the results of the structural equation modeling for the hypothesis test.

Table 7. Results of SEM estimation for hypothesis testing

			Estimate	Standard Error	Critical Ratio	P value
F5 : Financial and Market Performanc	<---	F1 : Customers	,134	,120	1,114	,265
F6 : Social Performance	**<---**	**F1 : Customers**	**,562**	**,142**	**3,953**	*******
F5 : Financial and Market Performanc	**<---**	**F2: Competitors**	**-,225**	**,103**	**-2,189**	**,029**
F6 : Social Performance	**<---**	**F2: Competitors**	**-,325**	**,109**	**-2,974**	**,003**
F5 : Financial and Market Performance	<---	F3 : Employees	,041	,052	,795	,427
F6 : Social Performance	<---	F3 : Employees	,087	,052	1,671	,095
F5: Financial and Market Performance	**<---**	**F4 : Shareholders**	**,225**	**,062**	**3,621**	*******
F6: Social Performance	<---	F4 : Shareholders	,000	,057	,005	,996

*Significant at p < .001

Source: Prepared by the researcher based on SPSS20 outputs

4. Discussion of Results

The results of structural equation modeling have supported some aspect of hypothesis in which it say that there is a significant effect of the stakeholder groups on the business performance (the financial and market performance and social performance) of Algerian enterprises under study. Where, **the customers was** have a positive impact on business performance (social performance), where the Path coefficient was in the equation of multiple regression (0,562) which is significant at the level of p<0.01. This what Deshpande, Farley, and Webster (1993) noted that customers are the primary source of a company's revenue.

Competitors was have also a negative impact on the business performance (the financial and market performance and social performance) of Algerian enterprises under study, by Path coefficients which was in the equation of multiple regression (0,225), (0,325) respectively, which are significant at the level of p<0.01. This reflects that the orientation of entreprises focuses on competitor interests in order to neutralize their business strategies according in what came in the study of Lumpkin and Dess (1996). According to Greenley and Foxall (1997) a company must outperform its competitors so that it will not lose customers to them and therefore enjoy a high level of financial and market performance and social performance.

With regard to employees, it was have no impact on business performance (the financial and market performance and social performance) . Where, the Path coefficient was in the equation of multiple regression (0,041), (0,087) respectively, which is no significant at the level of $p<0.01$. Contrary to what Kotter and Heskett (1992); Koys (2001) stressed, if Front Line employees are satisfied with their work, they will serve their customers better, resulting in higher customer satisfaction and better sales. This is confirmed by the result of impact customers' on financial and market performance, where we did not find any effect. Unlike social performance where we found an impact on customers. As well as, Chung-Leung Luk, (2005), confirmed that satisfied employees have greater morale and job motivation; work harder, more effectively, and more efficiently; reversing unsatisfied employees.

The shareholders was have a positive impact on business performance (financial and market performance), where the Path coefficient was in the equation of multiple regression (0,225) which is significant at the level of $p<0.01$. Where, Samuels, Wilkes, and Brayshaw (1990) confirmed that if the management team is committed to shareholders' interests, it will try hard to maximize profits.

5. Conclusion:

We found that:

- The customers was had a positive impact on social performance.
- The competitors was had a negative impact on financial and market performance.
- The competitors was had also a negative impact on social performance.
- The employees was had no impact on business performance (financial and market performance and social performance).
- The shareholders was had a positive impact on financial and market performance.
- So, there is a significant impact of the stakeholder groups on business performance (financial and market performance and social performance) of the Algerian entreprises under study.

This result confirms what came in the study of Freeman (1984), Where, all stakeholders are considered simultaneously rather than a collection of individual effects because the combined effects of different stakeholder orientations are the essence of competitive advantage.

The implications of this research relate to the possibility that many entreprises in Algeria can achieve higher levels of performance as well as a competitive advantage by taking in consideration the impact of all stakeholder groups, not only focusing on the interests of one of the stakeholders, is the business owners (Michael C. Jensen and William H. Mecking, (1976)), or focusing on two other stakeholders, are customers and competitors (Jaworski and Kohli 1993; Narver and Slater 1990).

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[1] The KMO test determines if the factors represent the statements appropriately and should be between 0.5 and

[2] The objective of the Bartlett's test is to determine the matrix of correlations and the overall significance of all links. The significance of this test should be less than 0.05

[3] From the Q1 statement to the Q18 statement.

[4] From the Q19 statement to the Q29 statement.

[5] Means the extent to which the theoretical model matches the data.