



# Effects of Strategic Management on Organizational Performance in Manufacturing Firms in South-East Nigeria

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## Author's contribution

The sole author designed, analysed, interpreted and prepared the manuscript.

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## ABSTRACT

This study investigated the effect of strategic management on organizational performance with particular reference to some manufacturing firms in South-East Nigeria. The study is anchored on classical theory and resource-based theory. The population of the study is comprised of 1200 employees while the sample size consisted of 300 employees of the selected manufacturing firms through the use of Taro Yamane's formula. Multiple regression analysis was employed to analyze the data generated. It was discovered that all the strategic processes including strategy objective, strategy formulation, Strategy implementations and Strategy evaluation had significant effects on organizational performance of manufacturing firms in South East, Nigeria. The study therefore concluded that strategic management has significant effect on organizational performance in South East, Nigeria. Hence, it was recommended that strategic objective should be in line with the objective of the organization in order to achieve organizational objective and effective employee performance. Also, that organization should seek more input from the lower level managers and supervisors when formulating strategy so that the formulated plans will be effective and in line with both long and short term objectives of the organization.

**Keywords:** Strategic management; organizational performance and manufacturing firms in South-East Nigeria.

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## 1. INTRODUCTION

In the globalization era, strategic management has been considered as the most important practice which distinguishes organizations from each other. It is the key process to achieving organizational vision, mission, strategy and objectives. It is the management of organizational resources in order to achieve its goals and objectives [1]. Huynh, Gong and Tran [2] state that in today's business environment, organizations are facing a fierce competition in domestic and global markets and to survive and develop, they must implement strategic management tools in order to increase their competitiveness and gain strategic advantages.

Achieving a competitive advantage position and enhancing firms' performance relative to their competitors are the main objectives that business organizations in particular should strive to attain [3]. Strategic management can depend upon the size of an organization and the productivity to change its business environment. Therefore, a global/transnational organization may employ a more structured strategic management model, due to its size, scope of operation and need to encompass stakeholders' views and requirements.

The idea that strategy content influences an organizational performance is a central element of generic management theory. Strategy can be characterized as senior managers' response to the constraints and opportunities that they face. Major management theories such as those of Chandler [4] and Child [5] cited in Meier, O'Toole, Boyne and Walker [6] emphasize that private firms can exercise strategic choice, even in the face of external constraints. The way and manner they face strategic issues can affect the overall performance and development of the organization.

The increasing complexity and accelerated changes in the business environment made the planned policy paradigm irrelevant, since the needs of a business could no longer be served by policy-making and functional-area integration only [7]. Hence, as the business environment becomes more turbulent, managers discover that strategic planning with its emphasis on environmental assessment, analysis of internal capabilities, and plan formulation is insufficient.

Changes in consumer taste, temporal interruptions in raw material supplies or even

worldwide economic recessions may compel a firm to make operational changes in an effort to cope with market realities. In such circumstances, staff reduction, lighter inventory control, cost control and reduction techniques are some of the more likely options which the firm can resort to. Yet, these constitute actions which are useful only in the short-term. In Nigeria, where the source of economic dislocation is structural, the private sector firm has to resort to a more fundamental remedy [7]. This is why the major challenge to private sector firms in Nigeria today is the issue of incorporating a strategic framework into operational activities, a framework which recognizes the domestic resources base, which employs local technology and which guarantees the business community of both operation and management. It goes without saying that the strategic framework must address fundamental issues such as resources base, infrastructure constrains, appropriate level of technology and raw material input. Hence, the need to explore the effect strategic management issues have on performance of organizations.

### 1.1 Statement of the Problem

The performance of organizations has been the focus of intensive research efforts in recent times. Managers in both private and public organizations are increasingly aware that a critical source of competitive advantage often comes from indigenous products and services, best public relation strategy, state of the art technology and having an appropriate system of attracting and managing the organization's human resources. Many organizations spend most of their time realizing and reacting to unexpected changes and problems instead of anticipating and preparing for them. This is called crisis management. Organizations caught off-guard may spend a great deal of time and energy paying for challenges of catch up. They use up their energy coping with immediate problems, with little energy left to anticipate and prepare for the next challenges. The vicious cycle puts many organizations into a reactive posture. Hence, the application of strategies designed and tailored for the achievement of the objective of the organization has to be fashioned out such that it will not only help in retaining the market share controlled, but also, the overall enterprise performance in form of increased earning at minimum costs. This is why this study looks at strategic management and its effect on organizational performance.

## 1.2 Objectives of the Study

The general objective of the study is to investigate the effect of strategic management on organizational performance in manufacturing firms in South East, Nigeria, while the specific objectives include:

1. Determining the effect of strategic objective on organizational performance in manufacturing firms in South East, Nigeria.
2. Examining the effect of strategy formulation on organizational performance in manufacturing firms in South East, Nigeria.
3. Investigating the effect of strategy implementation on organizational performance in manufacturing firms in South East, Nigeria.
4. Ascertaining the effect of strategy evaluation on organizational performance in manufacturing firms in South East, Nigeria.

## 2. REVIEW OF RELATED LITERATURE

### 2.1 Strategic Management

Strategic management is an important aspect of management that elicits research interest among scholars and practitioners. This can be attributed to the universal application of this aspect of management discipline. One of the recent conceptual studies in Nigeria by Ujunwa and Modebe [8] advocate for the adoption of strategic management approach in ensuring capital market efficiency following the perceived pivotal role of the capital market in economic development. The strategic management measure they reviewed ranged from effective regulation to achieving favourable macro-economic environment. They posit that these strategies will promote economic performance. Despite this, insufficient empirical work exists to measure the level of association between the adoption of these techniques and organizational performance [9].

Strategic management has to do with deploying a firm's internal strengths and weaknesses to take advantage of its external opportunities and minimize its external threats [10]. Batman and Scott define it as a process that involves managers from all parts of the organization in the formulation and implementation of strategic goals and strategies. They define strategy as a pattern of action and resources allocation designed to

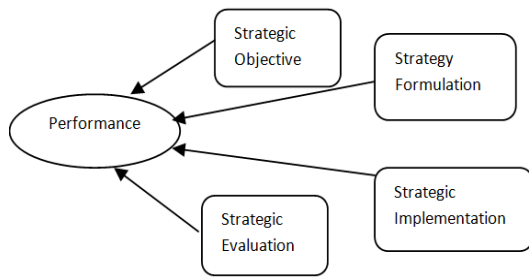
achieve the organizational goals. Thomson and Strickland [11] define it as the managers' tasks of crafting, implementing and executing company goals in its chosen market arena, competing successfully, pleasing customer, and achieving good business performance.

Institute of strategic management Nigeria [12] defines strategic management as an integrative process of management in which all managers of an organization engage in continuous rethinking and auditing of themselves, the organizations and the environment and in developing, implanting, implementing and controlling the organization direction, strategies and programmes, aimed at effecting positive changes, building competitive advantage and achieving all the time successful performance.

### 2.2 Organizational Performance

The concept of organizational performance has been based upon the idea that an organization is a voluntary association of productive assets, including human, physical, technological and capital resources, in order to achieve a common purpose [13]. According to Richard et al. [14], organizational performance encompasses three specific areas of firm outcomes: Financial performance (profits, return on assets, return on investment, etc.); market performance (sales, market share, etc.); and shareholder return (total shareholder return, economic value added, etc.). The successful performance of manufacturing firms does not only depend on good economic performance, but rather on the way the entrepreneurs and employees work together and fulfill their activities and objectives in a joint and coordinated basis.

The term organizational performance is used in three time- senses - the past, present, and the future. In other words, performance can refer to something completed, or something happening now, or activities that prepares for new needs. Profitability, for example, is often regarded as the ultimate performance indicator, but it is not the actual performance. Firms' performance is the measure of standard or prescribed indicators of effectiveness, efficiency and environmental responsibility such as, cycle time, productivity, waste reduction, and regulatory compliance. Performance also refers to the metrics relating to how a particular request is handled, or the act of performing; of doing something successfully; using knowledge as distinguished from merely possessing it.



**Fig. 1. Conceptualization of the decomposed variable of strategic management and performance**

Source: Researcher, 2020

### 2.3 Theoretical Framework

This work is anchored on Classical Theory by Chandler [4], Sloan [15] and Ansoff [16] and on Resource-Based View Theory postulated by Barney [13].

Classical theory by Chandler [4], Sloan [15] and Ansoff [15] is the oldest and still most influential theory of strategy. The theory relies on the rational planning methods and profitability is the supreme goal. Oyedijo [17] identified Chandler [4], Sloan [15] and Ansoff [16] as the three men who developed the classical theory. They established the key features of the classical in strategy namely; the attachment to rational analysis; the separation of strategy concept from strategy execution and the commitment to profit maximization. This theory relies on the rational planning methods and profitability is the ultimate goal. The classical school believes that strategy should be formal and explicit based on the organization structure for profit maximization. Here, success or failure is determined internally by the existence or non-existence and quality of the strategic issue management activities in an organization [15].

Resource-Based View Theory postulated by Barney [13] combines concepts from organizational economics and strategic management [13]. In this theory, the competitive advantage and superior performance of an organization is explained by the distinctiveness of its capabilities [18]. The Resource-Based View (RBV) as a basis for the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal [19,20]. To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile. Effectively, this

translates into valuable resources that are neither perfectly imitable nor substitutable without great effort [13].

Strategy has been defined as the match an organization makes between its internal resources and skills and opportunities and risks created by its external environment. The resources and capabilities of a firm are the central considerations in formulating its strategy; they are the primary constants upon which a firm can establish its identity and frame its strategy. The key to a resources based approach to strategy formulation is understanding the relationships between resources, capabilities, competitive advantage and performance. The RBV has been a common interest for management researchers and numerous writings could be found for same. RBV of a firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier [20].

### 2.4 Empirical Review

Olanipekun, Abioro, Akanni, Arulogun and Rabiu [22] examined the impact of strategic management on competitive advantage and organization performance in Nigerian bottling company. The study used primary data with the aid of a structured questionnaire which was used to elicit information from respondents. The data collected were analyzed using both descriptive statistics such as frequencies, percentages mean, standard deviation and inferential statistics of Chi-square and Analysis of Variance (ANOVA). The findings revealed that indeed the adoption and implementation of strategic management practices makes the organization not only to be proactive to changes but also initiate positive changes that consequently leads to competitive advantage and sustainable performance.

Garad, Abdullahi, and Somalia [23] studied the relationship between strategic management and Organizational performance in Mogadishu-Somalia. The study employed the use of both descriptive and correlation research design to establish the nature of the relationships. To analyze the data, the Spearman correlation statistical tool was used with the aim of establishing the relationship between above variables. The findings revealed the existence of a moderate positive and statistically significant

relationship between strategic management and organizational performance.

Abdel-Aziz and Saed [24] examined the effect of strategic management on Jordanian Pharmaceutical Manufacturing organizations business performance. Data were collected from 13 companies out of 16 companies, by means of a questionnaire. The valid questionnaires were collected from 90 managers. The result of the study showed a significant implementation of the balanced scorecard variables among Jordanian Pharmaceutical Manufacturing Organizations, the learning and performance perspective rated highest average, followed by internal processes perspective, then financial perspective and customer perspective, respectively.

Muogbo [25] examined the impact of strategic management on organizational performance and development. 63 respondents selected from 21 manufacturing firms across the three senatorial zones of Anambra State were sampled (3 from each firm). The study used descriptive statistics to answer the four research questions posed. Chi-Square was used to test the three hypotheses that guided the study. Results from the analysis indicated that strategic management is not common among the manufacturing firms in Anambra State; that the adoption of strategic management had significant effect on competitiveness and also influences manufacturing firms; that strategic management had effect on employee's performance and that its adoption has significantly increased organizational productivity of manufacturing firms; also, it enhances structural development of manufacturing firms.

Mohamud, Abdullahi and Bashir [26] investigated the relationship between strategic management and organizational performance in Mogadishu. Emphasis was put on trying to establish the relationship between strategic management and organizational performance in Mogadishu-Somalia. The study employed the use of both descriptive and correlation research design to establish the nature of the relationships. To analyze the data, the spearman correlation statistical tool was used with the aim of establishing the relationship between above variables. The findings revealed the existence statistically significant has a positive relationship between strategic management and organizational performance, the study also indicate that there is a statistically significant

moderate positive relationship between strategic management and organizational performance.

Waweru and Omwenga [27] examined the influence of strategic management practices on performance of private construction firms in Kenya. A total sample of 68 respondents formed the sampling frame. The researcher chose simple random sampling as a sampling technique. Primary data was collected using pre-determined questionnaires. The study used questionnaires containing closed ended, open ended, multiple choice and dichotomous questions. Likert scale questions were also used since the responses were easily quantifiable and subjective to computation. The study used both primary and secondary data. Secondary data was cited from library resources and organizational process assets such as company project reports. Statistical Package for the Social Sciences (SPSS) was used as a platform for data analysis. It was established that all three construction firms have employed strategic management practices which in turn increases performance.

### 3. METHODOLOGY

The study adopted a descriptive survey design. This study was undertaken within South East zone of Nigeria. The population of this study is made up of 1200 selected manufacturing firms in South East, Nigeria (Anambra, Abia and Imo State). However, 10 registered manufacturing firms were randomly selected in a clustered area. So the population of study is made up of all the employees of each of the firms selected. The sample size consists of 300 employees of the selected manufacturing using Taro Yamane's formula. The major instrument used in this study is the questionnaire and its reliability was ascertained through the test-retest method. In doing this, the instrument was administered to the sample of the study and the responses collected. After an interval of 7 days, the same instrument was re-administered to the sample. The two responses were correlated so as to guarantee the instruments reliability. The reliability of the instrument was ascertained at 0.8 which means that the instrument is reliable. Multiple regression analysis was conducted in analyzing the data using a 5% level of significance.

#### 3.1 Data Presentation, Analysis and Interpretation

The multiple regression result is presented below.

**Table 1. Summary of the regression result**

<b>Variable</b>	<b>T-Statistics</b>	<b>Probability</b>
Strategy Objectives	11.655	0.000
Strategy Formulation	2.755	0.001
Strategy Implementation	6.939	0.000
Performance Evaluation	2.795	0.006
R-squared	0.733	
Adjusted R-squared	0.726	
F-Statistics	107.563	
Prob. (F-Statistics)	0.000	
Durbin Watson	1.677	

Source: Field Survey, 2020

The regression result has coefficient of determination ( $R^2$ ) of 0.733. This implies that 73.3% of the variations in performance is being accounted for or explained by the variations in the explanatory variables. This shows that the explanatory powers of the independent variable are very high and strong. The adjusted  $R^2$  supports the claim of the  $R^2$  with a value of 0.726 indicating that 72.6% of the total variation in the dependent variable (organizational performance) is explained by the independent variables (the regressors). Thus, this supports the statement that the explanatory power of the variables is high and strong.

The F-statistic is instrumental in verifying the overall significance of an estimated model. The F-statistics of 107.563 and F-probability of 0.000 shows that the model has goodness of fit and is statistically different from zero. In other words, there is significant impact between the dependent and independent variables in the model. This shows that the independent variables (strategy objectives, strategy formulation, strategy implementation and performance evaluation) have a joint significant effect on the dependent variable (organization performance).

From the regression result in table 1, it is observed that DW statistic is 1.677 which is approximately 2. Therefore, the variables in the model are not autocorrelated and that the model is reliable for predications.

### 3.2 Summary of Result and Test of Hypotheses

#### Hypothesis One:

**H<sub>11</sub>:** Strategy objective has a significant effect on organizational performance of manufacturing firms in South East, Nigeria.

Based on t-statistics of 11.655 and p-value of 0.000, strategy objective was found to have a significant effect on organizational performance in manufacturing firms in South East, Nigeria. This result therefore suggests that we reject the null hypothesis and accept the alternate hypothesis which states that strategy objective has a significant effect on organizational performance in manufacturing firms in South East, Nigeria.

#### Hypothesis Two:

**H<sub>12</sub>:** Strategy formulations have a significant effect on organizational performance in manufacturing firms in South East, Nigeria.

Based on the t-statistics of 2.755 and p-value of 0.001, Strategy formulations were found to have significant effect on organizational performance of manufacturing firms in South East, Nigeria. Therefore, we reject the null hypothesis and accept the alternate hypothesis. This shows that Strategy formulations have a significant effect on organizational performance in manufacturing firms South East, Nigeria.

#### Hypothesis Three:

**H<sub>13</sub>:** Strategy implementation has a significant effect on organizational performance of manufacturing firms in South East, Nigeria.

Based on the t-statistics of 6.939 and p-value of 0.000, Strategy implementation was found to have a significant effect on organizational performance of manufacturing firms in South East, Nigeria. Therefore the null hypothesis is rejected while the alternative hypothesis is accepted. This implies that Strategy implementation has a significant effect on organizational performance in manufacturing firms South East, Nigeria.

#### **Hypothesis Four:**

**H<sub>14</sub>:** Performance evaluations have no significant effect on organizational performance of manufacturing firms in South East, Nigeria.

Based on the t-statistics of 2.795 and p-value of 0.006, performance evaluations were found to have a significant effect on organizational performance of manufacturing firms in South East, Nigeria. Therefore, we reject the null hypothesis and accept the alternate hypothesis. This implies that strategic evaluations have a significant effect on organizational performance in manufacturing firms South East, Nigeria.

#### **4. CONCLUSION**

This study provides empirical evidence regarding strategic management on organizational performance of manufacturing firms in South East, Nigeria using strategic objective, strategy formulation, strategy implementations and strategic evaluation as a base for measuring strategic management in the study. From the study, it is true that strategic objective, formulated strategies, strategy implementation and evaluation have a great effect on the performance of manufacturing firms in South East. Organizations are said to be operating in a turbulent and hyper competitive environment, and it is their desire to continue to operate successfully by creating and delivering superior value to their customers while also learning how to adapt to a continuous and dynamic business environment. Strategic management is therefore a sine-qua-non since as it involves developing and formulating strategies to meet competition and ensure long term survival and performance. This will in turn ensure that competitive advantage is created so that the company will not only outperform competitors but also guide it successfully in all the changes in the environment. This study has been established that indeed strategic management does not only gives a firm competitive advantage which makes it outperform competitors in the industry but also go a long way in enhancing organizational performance.

#### **5. RECOMMENDATIONS**

Based on the findings of this study, it is therefore recommended that:

1. Organizations should formulate strategic objective to be in line with the objective of the organization in other to achieve set objective and effective employee performance.

2. Organization should seek more input from the lower level managers and supervisors when formulating strategy so that the formulated plans will be effective and in line with both long and short term objectives of the organization.
3. Organizations should have a well-conceived strategic vision that must be communicated to all employees. It is imperative to emphasize that all employees should be carried along in implementation of strategic management process that will prepare the company for the future, establish long-term direction and indicate the company's intent to position itself as a market leader in the industry.
4. Every organization should evaluate their strategic management processes yearly in other to know if it is consistent with organizational goals and objectives and strategic evaluation should be on a continuous rather than a periodic basis as it allows benchmarks of progress to be established and more effectively monitored.

#### **COMPETING INTERESTS**

Author has declared that no competing interests exist.

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