Strategy Management and Business Success

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Abstract

This paper examines the practice of strategic management in indigenous firms and to ascertain the impact of strategic management on business success in Nigeria. Forty firms were chosen from small, medium and large scale industries using stratified sampling. The major findings of the study showed that 17 percent of the firms engaged in deliberate and systematic strategic management, 57 percent were disorganised in their practice of strategic management and 25 percent made no attempt. The economic and the industry/competitive factors were found to be the most favourable factors for the firms. Strategic management was found to be positively related to corporate success. The study concluded that most SME firms are involved in some level of strategic management and that strategic management improves business success, and thus recommends that entrepreneurs need to be more organised in their practice of strategic management in order to facilitate the growth and success of their firms.

Keywords

Business, success, growth, entrepreneurship, capability, indigenous technology, strategic management

1. Introduction

Entrepreneurship globally and in Nigeria dates back to when people found the need to create wealth to take care of their families and consequently, attain a higher social status in the community. Traditional African economics were usually called subsistence economics. Various communities produced surpluses of given commodities, which could be exchanged for items which they are lacking (Rodney, 1976). Occupational activities such as farming, fishing, weaving, sculptor, carving, trading, bead making, glass making, leather making etc. were the sources of income, and later developed into enterprises but in a smaller scale. Agriculture products contributed 84% of Nigeria total exports and 12% of total foreign exchange earnings (Bailey, 1976).

Government through the enactment of Development Plans, the indigenisation policy of April 1974, provision of subsidies, tax relief and other incentives has played a role in trying to redirect industrial development. A report in the New Nigeria Newspaper March 1992 quoting the UNDP/UNIDO, declared that the economic development, industrialization and indigenous technology development of a nation is dependent on its indigenous enterprises. The Fourth National Council on Industries, which met in Owerri in 1991, presented classification of enterprises according to volume of capital invested (but excluding land) as follows:

Table 1: Industry and capital investment categories in Nigeria

Industry	Capital Investment
Cottage industry	Below N500, 000
Small scale industry	₦ 500,000 – ₦ 5,million
Medium Scale industry	₦5million – ₦20 million
Large Scale industry	above ₦20 million

1.1 Problem Statement

Indigenous enterprises in Nigeria reveal that the entrepreneur finds himself in a harsh environment, with respect to the unstable political situation. The lacking of growth from small to medium and to large-scale enterprise status and the failure of indigenous enterprises has caused economy to decline (Bailey, 1976; Chandler, 1962; Ottih, 1998). The question is, how indigenous entrepreneur achieve business success despite the odds. The thrust of this study lies in identifying the strategic management processes employed in the management of Nigerian business firms and the levels of success.

1.2 Objectives of the Study

The specific objectives are as follows:

- To investigate whether indigenous entrepreneurs are using strategic management, and to what extent it is used.
- To ascertain why many indigenous enterprises are stagnant in growth, why some even fail, and why some others succeed despite the fact that they are all operating in the same environment.
- To highlight the influence of the general environment and industrial factors in the use of strategy management by indigenous entrepreneurs.
- To identify and make recommendations on the roles of government in helping indigenous entrepreneurs to achieve success.

1.3 Research Question

The research questions are as follows: -

1) Do indigenous entrepreneurs in Nigeria engage in strategic management?
2) What is the impact of environmental factors on the various types of indigenous firms?
3) Does the business environment in Nigeria affect the use of strategic management by indigenous entrepreneurs?
4) Do indigenous entrepreneurs in Nigeria who are engage in strategic management achieve success?

1.4 Significance of the Study

This study discusses the usefulness of strategic management and charts a path for the indigenous entrepreneur to achieve success despite the rapid changes in environment. Indigenous entrepreneurs in Nigeria and those wishing to become entrepreneurs will benefit greatly from this study.

2. Literature Review

2.1 Business Success

Hay Report 2001, stated that business success can be attained by being competitive in the market, the people, and adopting new technology. Without people the business strategy cannot be implemented, and no strategy, no matter how good can succeed. People are a resource that cannot be neglected not even partially, if goals are to be achieved (Jauch and Gleuck, 1980).

2.2 Strategic Management Process

The strategic management process is a combination of strategy formulation, strategy analysis and strategy implementation (Mintzberg, 1989). Strategic management is geared towards achieving corporate objectives. It provides a guiding force that integrates the efforts of all levels of staff in an organisation. Payne (1985) identified strategic management as one approach to the 'big picture'; they believed, it stresses the importance of focusing on overall company goals, rather than on individual products or division within the company.

2.3 Strategy Formulation

This activity is entrepreneurial in nature, it entails setting a direction for the organization by identifying new business opportunities, and also ensuring that the business is not overcome by occurrences in the environment. Strategy formulation arms the entrepreneur so that he is not taken by surprise but makes him alert and responsive to the rapidly changing environment. Strategy formulation includes vision, mission, objectives, environment analysis and a choice of strategy based on the outcome of analysis and diagnosis (Drucker, 1988; Frederickson, 1988; Hambric, 1986).

2.4 Purpose and Mission of Enterprises

A vision is a picture of the future of the environment within which the future of the organisation will operate along its competitors. A vision indicates to the entrepreneur the future position of the firm. This is quite different from a mission; however the vision influences and determines the mission and even the objectives (Dess and Miller, 1993). A mission of a business provides a statement to insiders and outsiders of what the company stands for – its purpose, image and character. The mission can be seen as a link between performing some social function and more specific targets or objectives of the organisation.

2.5 Objectives of Business Enterprises

Objectives are goals, which the entrepreneur wants to attain. There are the ends or goals, which the organisation seeks to achieve through its activities and operations. Whatever size of the business, the following key areas ought to be considered of what objectives should be (Redden, 1971). The type of objectives is dependent on the expected time to achieve the objective or its orientation. Short- range objectives (months-5 years) and long range objectives (5- more than 10 years), and internally oriented objectives (wants to achieve for itself such as market share, growth, profitability and productivity) and externally oriented objectives (to satisfy external interests such as customers, suppliers, creditors etc) (Ottih, 2002).

2.6 Environment Analysis

Environmental analysis involves identifying opportunities and threats in the general environment and determining strengths and weaknesses in the firm or internal environment. There are a large number of factors, which affect the firm in each sector of the environment, and these factors interact with one another (Barnard, 1992). Strategic analysis is used as the foundation for the strategic management process for most businesses (Dess and Miller, 1993; Koter, 1990; Lenz and Engledow, 1986; Rachman and Mescom, 1978).

2.7 Strategy

Two types of strategies have been identified (Mintzberg, 1989) as intended strategies (strategies managers propose, design and expect) and realised strategies (strategies that materialise in time). Strategy is the catalyst, main thread and thrust of a business, whereby it is the dynamic element for managing a company to achieve its results in the competitive market place over a long run. It is dependent on how to use resources of the firm effectively in an ever changing environment that integrates with the operation of the business (Bebault, 1982; Karatsu, 1985).

2.8 Alternatives Strategy

After analysing and diagnosing the environment; assessing the enterprise strengths and weaknesses; and preparing the environmental threat and opportunity profile (ETOP) and the Strategic advantage profile (SAP); the entrepreneur should be in a position to consider the underlying potential for a gap between expected and ideal performance outcomes. The need to make choices between strategic alternatives that will fill the gaps matching the ETOP and SAP, and making a choice of a strategy to reduce the gaps. Jauch and Gleuck (1988) suggested that by comparing the ETOP and SAP, the entrepreneur can acquire clues about the nature of strategic alternatives to close any gaps.

2.9 Decision making

Decision-making is an important aspect of strategic management whereby it determine whether the enterprise successful or fail. The entrepreneur has a responsibility to decide which alternative strategy is best to choose that will bring about success. Strategic decisions are defined as a means to achieve ends. The decisions encompass the definition of the business, products, markets, functions, and major policies needed for the organization to execute these decisions to achieve objectives (Barnard, 1992; Mingle, 1981; Quinn, 1980).

2.10 Strategy Implementation

Strategy implementation is clearly associated with control and evaluation processes. These processes help the entrepreneur to monitor the progress of a plan. Implementation of a new strategy involves, doing things right, which involves the development of the organizations structure and administrative mechanisms for efficient implementation of the chosen strategy option (Ottih, 2002).

2.11 Strategic Control

Mintzberg (1989) defined control as setting total organizational objectives and subsequent standards of performance; establishing the means of getting feedback about performance; and ensuring that predetermined objectives are achieved. Redden (1971) advocated that managers are responsible to control and adjusts operations to predetermined standard according to whatever current information available. This is quite, true, for the entrepreneur to see desired results accomplished, there ought to be a means of controlling all aspects of the enterprise.

2.12 Evaluation

This is the phase of the strategic management process where business owners try to ensure that the strategic choice is properly implemented and is meeting the objectives of the enterprise. The evaluation process is divided into four interrelated activities which are establishing performance targets, standards, and tolerance limits for the objective; measuring the actual position in relation to the targets at a given time (Jauch and Gleuck, 1988).

3. Research Methodology

3.1 Research Design

The survey research approach is based on a sample of the entire population so as to generalize for the whole population. The survey research design is chosen for this study of indigenous entrepreneurships, as the objective is to examine strategy management and corporate success of the entire population of indigenous entrepreneurships.

3.2 Research Hypothesis

The following hypothesis will be tested.

H_1: There is no relationship between strategy management and corporate performance.

3.3 Population and Sampling

The population of this study constitutes of all indigenous entrepreneurships in Port Harcourt, Rivers State, that have existed for three years and above. As a result of such large population, random sampling was inconvenient. The research simply employed stratified sampling in selecting ten (10) firms from each size bracket. A total of forty (40) firms were therefore used for the study. The respondents of the study were the business founder and also immediate deputies of the founders of the forty companies of the study.

3.4 Research Instrument

The questionnaire was selected for this study. This choice was informed by the fact that the questionnaire has a faster reach and can be completed (filled) in the absence of the researcher. The questionnaire contains a total of seventeen (17) questions, some of which are structured and some Unstructured. It sought information on the profile of the firms, the strategic management activities of the firms and finally, the performance of the firms.

3.5 Instrument Administration

The questionnaire was administered personally on the top managers or their deputies by the researcher. Prior phone calls were made to secure permission for questionnaire administration. This early appointment facilitated access to the companies. While some difficulties were experienced in a few companies, the entire process consumed about two weeks. Responses were secured from all the forty (40) companies.

3.6 Data Analysis

The copies of the questionnaire were edited upon retrieval to ensure correctness of completion. After this, collation and tabulation followed. The descriptive tools of tables, percentages, frequencies and Likert-scales were freely used. SPSS version was used for hypothesis testing.

4. Data Analysis and Discussion

4.1 Data Analysis

4.1.1 Engagement in Strategy Management by Nigeria Indigenous Enterprises

This subsection sought to find out if indigenous entrepreneurs in Nigeria engage in strategy management and the extent to which they do. Table 2 shows the engagement in strategic management by enterprises.

Table 2: Engagement in Strategic Management by Enterprises

No.	Dimensions of Engagement	Number Engaging	% Engaging
1.	Enterprises that engage in strategic management in a disorganized manner.	12	30
2.	Enterprise that adopted some aspects of strategic management practices.	11	27.5
3.	Enterprises that do not engage in strategic management.	10	25
4.	Enterprises that engage in strategies systematically.	7	17.5

According to the above Table 2, 7 firms (17.5%) engage in deliberate and systematic strategic management, 12 (30%) are haphazard about its adoption, 11 (27.5%) employ some aspects of strategic management and 10 (25%) do not engage in strategic management at all. This shows a rather poor exercise of strategic management, as only 17.5 percent of the firms are deliberate about it.

4.1.2 Environment Impacts

The general environment is characterized by the economic, political, government, technological, industry, internationally and other conditions. To get specific data needed for study, the environment was described by nine factors, which include Political Instability, Strikes/Unemployment, Level of Security, Government Tax/Economic Policies, Level of Infrastructure, Lack of Raw Materials, Lack of Technological Development, Industry Environment and Competition and Socio-Cultural Factor. Table 3 below presents the relevant data according to cottage, small, medium and large-scale enterprises.

Table 3: Impact of Environmental Factors on Types of Firms

Environment	Cottage			Small			Medium			Large		
Factors	+ve	N	-ve	+ve	N	-ve	+ve	N	-ve	+ve	N	-ve
Political		15	10		12.5	12.5		5	20		7.5	17.5
Unions		7.5	17.5		10	15		5	20		205	22.5
Security			2.5				2.5	2.5				2.5
Economic	7.5	2.5	15	7.5	2.5	15	2.5	2.5	20	7.5	5	12.5
Infrastructure		2.5	22.5		2.5	22.5			25	2.5	7.5	15
Raw Materials/ Supplies		2.5	22.5		7.5	17.5	2.5	2.5	20		7.5	17.5
Technology		2.5	22.5		12.5	12.5	2.5		22.5		5	20
Industry/ Competition	5	10	10	17.5		7.5	10	10	5	15	2.5	7.5
Socio/Cultural		15	10	5	15	5	10	10	5	10	7.5	7.5
Total	**12.5**	**57.5**	**132.5**	**30**	**62.5**	**107.5**	**30**	**37.5**	**137.5**	**35**	**45**	**122.5**

Key: +ve = Positive; N = Neutral; -ve= Negative. Weights: Positive = 2, Zero = 0, Negative = -2

Table 3 shows that the economic factor is the most positive (or favourable) for all the sectors. This is followed by the industry/competition factor. The most neutral factors are the political/legal, socio/cultural, unions and supplier/Raw material factors. The most negative are infrastructure, raw materials, and technology. The table also shows that environmental factors were most positive for the small scale firms, followed by the large scale, the medium scale and lastly the cottage.

4.1.3 Environment/Enterprise Profile and Strategic Success

This subsection sought to understand the impact of environmental and enterprise factors on strategic success. This was achieved by using the questionnaire to gather information from respondents on the impact of each factor. Table 4 presents the relevant data.

Table 4: Impact of Environmental/Enterprise Factors on Strategic Success

ENVIRONMENT/ENTERPRISE FACTORS	IMPACT IN RANK ORDER	
	FIRMS ADOPTING	NOT ADOPTING
Economic	1st	3rd
Government/Legal	2nd	2nd
Marketing/Distribution	3rd	6th
Finance	3rd	1st
Customers/Competition	4th	6th
Corporate Resources	5th	5th
Production/Operations	6th	4th
Geographic	8th	9th
Socio/Cultural	9th	8th

As shown in Table 4, firms undertaking strategic management (this includes those firms adopting it systematically and those not so rigid about its adoption) ranked the economic factor as having the greatest impact on strategic success and the government/legal factor as second. Other factors and their ranks in firms adopting strategic management are market/distribution (3rd), finance (3rd), customers/competition (4th) and so on. For firms not adopting strategic management, the factor of finance was ranked 1st. Others for firms not adopting are government/legal (2nd), economic (3rd), production operators (4th) and so on.

Some discrepancies can be identified in these rankings. There is a lack of agreement between firms adopting strategic management and those not adopting on this matter of impact of the factors. While the economic factor led the pack for those adopting, financial resources came first for those not adopting and while government/legal was 2nd for those adopting, it was also 2nd for those not adopting. Other disharmonies can be seen in the table. On the whole, managers of firms adopting strategic management saw the external factors as having a greater impact on strategic success.

4.1.4 Engagement in Strategic Management and Corporate Performance

This subsection shows the extent of engagement in strategy management and corporate performance levels. The performance criteria have been classified as ‘good’ and ‘poor’. This is done for clarity and simplicity. Table 5 presents the relevant data.

Table 5: Engagement in Strategic Management and Corporate Performance Levels

Enterprise Characteristics	Response rate %	Profitability		Market Share		Growth		Customer Satisfaction		Total
		Good	Poor	Good	Poor	Good	Poor	Good	Poor	Score
Enterprise that adopt strategy management deliberately & systematically	7 (17.5%) (n=70)	50 (71%)	20 (29%)	40 (57%)	30 (43%)	55 (79%)	25 (21%)	58 (83%)	12 (17%)	73%
Enterprise that adopt strategy management but not deliberately & systematically	12 (30%) (n=120)	65 (54%)	55 (46%)	64 (53%)	56 (47%)	82 (68%)	38 (32%)	82 (68%)	38 (32%)	61%
Enterprise that adopt only some aspects	11 (27.5%) (n=110)	40 (36%)	70 (64%)	62 (56%)	48 (44%)	72 (65%)	38 (35%)	62 (56%)	48 (44%)	53%
Enterprise that do not adopt management strategy at all	10 (25%) (n=100)	50 (50%)	50 (50%)	51 (51%)	49 (49%)	70 (70%)	30 (30%)	52 (52%)	48 (48%)	56%

4.2 Discussion

Only 7 of the 40 firms studied (17.5%) deliberately and systematically engaged in strategic management, 23 of the firms (57.5%) make some efforts at adoption and 10 firms (25%) do not make any efforts at strategic management at all. This is indeed an improved profile of adoption of strategic management in Nigerian firm. A study by Ottih (1998) found a slightly improved picture of the practice. The finding of this study should be seen as an improved picture particularly given the fact that only indigenous companies were involved in this study.

Companies engaging in deliberate and systematic strategic management achieve greater corporate success than companies that do not (Chandler, 1962; Gleuck, 1980; Igoma, 2003; Ottih, 1998). Companies that engage in strategic management would normally have a clearer awareness of environmental states and would engage in strategic planning to enable them take advantage of environmental opportunities and obviate environmental threats (Ottih, 2002).

5. Summary, Recommendation and Conclusion

5.1 Summary

This study sought to ascertain the relationship between strategic management and corporate performance. Samples of forty (40) indigenous firms were employed for the study and the questionnaire constituted the major instrument for data collection. Correlation analysis was employed for hypothesis testing. The major findings of the study are as follows, only 7 of the 40 firms studied (i.e. 17%) were found to engage in deliberate and systematic strategic management. 23 of the 40 firms (i.e. 57.5%) were disorganized or engaged in some fragments of strategic management activities while 25% did not at all. The economic factor was the most favourable for the firms followed by industry/competitive factor. The environment was most positive for small-scale firms. Strategic management was found to be positively related to corporate success.

5.2 Recommendation

5.2.1 Entrepreneur

Strictly adhere to strategic management processes in its entirety in the course of the business activities. For those who are about to start, have an original idea i.e. an idea that is feasible and realistic. Carry out thorough and frequent analysis and diagnosis of the environment to know the opportunities, threats, strengths and weaknesses. If the entrepreneurs are unable to get an overview do not hesitate to seek for help (Huang, 2009). Also be abreast with the laws that guide the particular business the entrepreneurs are involved in or intend to venture into.

5.2.2 Government

Develop basic infrastructures necessary for industrial development such as good road network system, steady electricity supply, and reliable telecommunication network and so on. Ensure the provision of security of lives and property. Provide grants and subsidies to encourage young fledgling entrepreneurs. This could reduce the rate of unemployment as these will also be employers of labour, be a dependable source of revenue from taxes accruable from these enterprises and strengthen the base of the private sector that determines the state of the economy. Adequate legislation should be pursued to encourage and protect indigenous entrepreneurs such as tax laws, tariffs on imports and exports and so on. Transfer of technology by foreign firms operating in Nigeria to Nigerians should be made a policy and vigorously pursued.

5.3 Conclusion

The conclusions drawn from the findings of this study are that most Nigerian firms are involved in some forms of strategic management, but many are not systematic and deliberate about it. Firms adopting strategic management are most concerned with the external environment factors while firms not engaging in strategic management are concerned with the internal factors (Cruz, Pedrozo, and Estivalete, 2006). Specifically, the economic and government/legal factors were seen to have the greatest impact among firms adopting strategic management. For those not adopting, it was finance and govern by legal factor. While deliberate and systematic strategic management promotes corporate performance, haphazard approach to it may not have much advantage over those firms not practicing it at all (O'Reagan, Sims, and Ghobadian, 2005).

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