

ASSESSMENT OF THE EFFECT OF STRATEGIC MANAGEMENT ON LEARNING/INNOVATION PROCESS OF CORPORATE ORGANISATIONS

Joshua Adewale ADEJUWON

Department of Management and Accounting, Lead City University, Ibadan.

Corresponding Author's email: adejuwonwj@yahoo.com



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ABSTRACT

The pressures surrounding the 21st century business in terms of time, financial and other resources is quite enormous and unprecedented. Effective management techniques that would drive modern organisations' critical success factors into levels of sustainable competitive advantage should therefore be identified and adopted. The objective of this study is to assess the relationship between strategic management and learning/innovation process of corporate organisations, focusing on Oyo state of Nigeria. The 249 manufacturing companies in Oyo State, as registered with the Manufacturers Association of Nigeria, Ibadan, Oyo State, formed the population of study. The descriptive survey design was adopted and a combined purposive and systematic random sampling technique was used to select 152 manufacturing companies used for the study. A validated questionnaire with coefficient $r = 0.80$ tagged "Assessment of the Effectiveness of Strategic Management on the Learning/Innovation Process of Manufacturing Companies Questionnaire" (AESMLIPMCQ) was used to collect data. One hypothesis was raised and tested at 0.05 level of significance, using SPSS version 20.0; descriptive statistics of ANOVA and correlation analysis. It was found out that there is a positive relationship between strategic management process and firms' Learning/Innovation process effectiveness ($R = 0.558$). The study concluded that strategic management practice had significant effect on firms' learning/innovation process effectiveness. It was recommended that firms should adopt strategic management process in order to boost the learning/innovation processes of these firms, and enhance their performance.

Keywords: strategic management, learning, innovation, corporate organisations, manufacturing companies.

Introduction

The 21st Century companies are faced with the challenge of the need to deliver results much more quickly than they were doing a few years ago. Corporate organisations today operate in increasingly hostile business environments that are characterized by increase in global and customers' demands for greater product diversity. Corporate organisations must therefore continue to identify and employ strategies and processes that would help to maintain a sustainable competitive position. This is necessary irrespective of whether the business is a multinational, an entrepreneurial start up, a manufacturing, distributing, retailing, service or a not-for profit organisation. Globalisation has necessitated the need for companies to deliver results much more quickly in order to beat competition, anticipate and satisfy customers' expectations. There is need now ever than before for corporate leaders to therefore adopt measures that would make their organisations to have better competitive advantage than rivals. create organisational environments that take into account learning, innovation and change.

Firms' effectiveness is measured in terms of successful outcome of the strategic actions taken by management for improving product quality and productivity, reducing product cost, promoting product and process innovations and improving product speed to the market in order to secure customers' goodwill (Anderson & Adams, 2012). Improving the internal learning/innovation processes of an organisation would improve this chance by creating corporate environments that incorporate learning, innovation and change that ensures continuous growth, customer satisfaction and competitive advantage.

A number of empirical studies have been carried out on the subject of strategic management and performance and internal processes of companies. Monday, Akinola, Ologbenla and Aladeraji (2015) provided evidence on the effects of strategic management

on the performance of manufacturing firms in Nigeria. Using five large scale manufacturing companies in Lagos metropolis, the study relied on primary data obtained through structured questionnaire administered to 50 purposively selected respondents of the selected firms. The data collected were analysed using analysis of variance (ANOVA), correlation analysis and descriptive analysis. The result showed that strategic management had significant effects on the profitability and operational performance of the selected manufacturing firms.

Dauda, Akingbade and Akinlabi (2010) examined the influence of strategic management on corporate performance in selected small scale enterprises in Lagos, Nigeria. Cross sectional survey research method was adopted for the study and 140 participants were randomly selected among small scale enterprises in Lagos metropolis. Findings of the study showed that strategic management enhances both organizational profitability and company market share.

Chen, Paulraj and Lado (2017) using structural equation modeling, empirically tested a number of hypothesized relationships based on a sample of 221 United State of American manufacturing firms. The results supported the links between strategic management, purchasing, supply management, customer responsiveness and financial performance of the buying firms.

Needorn & Nwaeke(2015)conducted a study to examine the extent to which strategic management influences the survival of consumer goods manufacturing companies. To achieve this purpose, research questions were raised, hypotheses were formulated and tested with the chi-square test, while relevant literature was equally reviewed. The population of the study consists of eleven (11) consumer goods manufacturing companies in Rivers State. The questionnaire, which was the major instrument used in collecting data for the study, was administered on the General Manager of the

selected companies. The findings revealed that strategic management significantly enhanced the survival of consumer goods manufacturing companies. Based on the above, it was therefore recommended that consumer goods manufacturing companies should endeavour to make good use of strategic management in order to enhance corporate growth and survival and every member of the organization should be integrated into the strategic initiatives.

Arasa and K'Obonyo (2012) examined the relationship between strategic planning and firm performance. Correlation analysis results indicated the existence of a strong relationship between strategic planning and firm performance. Owolabi and Makinde (2012) studied the effects of strategic planning on corporate performance using Babcock University, Nigeria as the case study. The results of the hypotheses revealed that there was a significant positive correlation between strategic planning and corporate performance.

Thus, worldwide, much has been written about strategic management and firm performance. In Nigeria, only a few empirical studies are available. Monday et. al (2015) on Lagos State showed that large scale manufacturing firms in Nigeria practice strategic management to a very large extent to gain competitive advantage. Dauda et al (2010) concluded that strategic management enhances both organisational profitability and company market share, while Chen et al (2017) supported the links between strategic management and purchasing, supply management, customer responsiveness and financial performance of firms. To compliment these efforts therefore, this study examined the effect of strategic management on the learning/innovation process of manufacturing companies focusing on Oyo State, Nigeria, using descriptive survey and systematic random sampling techniques.

Literature Review

Strategic Management is the dynamic process of formulation, implementation, evaluation and control of strategies to realize the organisation's strategic intent (Kazmi 2008). As a dynamic process, strategic management is not a one-time, static or mechanistic process. Increasing organisational complexity has necessitated today's professional managers in all organisations to take strategic management seriously in order to keep their firms competitive in an increasingly volatile environment.

Mahoney (2012) opined that strategic management addresses the organizational structure, resources and capabilities and the strategic positioning of the organization to create, capture and sustain competitive advantage. Hatif and Sadik (2012) explained that the application of strategic management methods by companies enable the companies to attain corporate objectives as well as aiding effective perform the functions within the strategic range.

The conceptual framework of this study is based on the Comprehensive Model of Strategic Management identified by Kazmi (2008). This model provides that the process of strategic management consists of four different phases which are the establishment of strategic intent, formulation of strategies, implementation of strategies and strategic evaluation and control.

The first phase, establishment of strategic intent, includes five elements in the hierarchy of the objectives that the organization sets for itself. It involves creating and communicating a vision; designing a mission statement; defining the business; adopting the business model and setting of objectives. The aim of strategic management is to help the organization realize strategic intent.

The second phase of the formulation of strategies is concerned with the devising of a strategy or a few strategies. This phase is also called strategic planning. It is essentially an analytical phase in which strategists think,

analyse and plan strategies. This phase involves eight elements: performing environmental appraisal; doing organizational appraisal; formulating corporate level strategies; formulating business level strategies; undertaking strategic analysis; exercising strategic choice formulating the strategy and preparing strategic plan (Gomes 2010). The third phase of implementation is the 'putting into action' phase. The strategies formulated are implemented through a set of five administrative and managerial actions. These include: activating strategies; designing the structure, systems and processes; managing behavioural implementation; managing functional implementation and operationalising strategies. Strategy implementation concerns the managerial exercise of putting a freshly chosen strategy into place.²¹ Strategies, by themselves do not lead into action. They are a statement of intent. Implementation tasks are meant to realize the intent. Strategies therefore have to be activated through implementation (Thomson and Strickland, 2014).

The fourth and last phase of evaluation and control involves assessing how appropriately the strategies were formulated and how effectively they are being implemented. Depending on the outcome of assessment, actions could be taken ranging from fine-tuning implementation to a drastic reformulation of strategies. This phase has three elements: performing strategic evaluation; exercising strategic control and reformulating strategies. Basically, control operates in a cyclical manner in a four-step manner consisting of establishing of standards, measuring actual performance, evaluating actual performance with standards and determining/taking of corrective measures. In controlling, the manager essentially deals with the processes for ensuring that behaviours and performance conform to organisation's standards, including rules, procedures and goals Govindarajan and Newton (2001). A strategy is formulated on the basis of several assumptions relating to the

environmental and organizational factors which are dynamic and eventful. Also, there is considerable time lag between strategy formulation and implementation.

Thus many of the underlying assumptions may become invalid or irrelevant. Strategic control takes into account the changing assumptions that determine a strategy, continually evaluate the strategy as it is being implemented and take necessary steps to adjust the strategy to the new requirements.

The four phases are sequentially linked to each other and each successive phase provides a feedback to the previous one. However, in practice, the different phases may not be clearly differentiable from each other, and in fact at the interface, may exist simultaneously. The feedback arising from each of the successive phases is meant to revise, reformulate or redefine the previous phases, if necessary. Such a representation yields a dynamic model of strategic management which takes into account the emerging factors as the process moves on. Mintzberg and Quin (2012) argued that strategic management involves basic searches for creating and actualizing a whole plan of action in the general view of the organisation.

According to Kazmi (2008), the aim of strategic management is to help the organization realize the strategic intent. Strategic management is an on-going process that evaluates and controls the business and the industries in which the firm is involved, assesses its competitors, sets goals and strategies to meet all existing and potential competitors and then reassesses each strategy to meet changed circumstances, new technology, new competitors, a new economic environment or a new social financial or political environment Muogbo (2013). It integrates strategic planning with quality (or continuous improvement) efforts, budgeting, resource planning, program evaluation, and performance monitoring and reporting. It is the process of positioning an organization so it can prosper in the future.

Learning is the process of acquiring new, or modifying existing knowledge, behaviours, skills, values or preferences (Wikipedia 2018). This process can be through studying, from experience or from being taught (Oxford 2013). A culture of learning is vital to a company that strives to be innovative. Nabong (2018) defined a learning culture as a collection of organisational conventions, values, practices and processes that encourage employees and organisations develop knowledge and competence. A culture of learning must be developed in an organisation since the different units are interdependent and there is always the need for continuous development through injection of new ideas, improved creativity and innovation. Both the individual employees and the organisation as a body need continuous learning to be able to maintain a competitive edge in a globalized economy.

Learning assists an organisation to be more effective through improved productivity, increased efficiency and therefore increase in profitability. Learning motivates employees and therefore assists in their retention, commitment, sense of belonging, transparency and accountability that are needed for organisational growth and sustainability. A culture of knowledge sharing would also expand employees intellectual scope, skill and general horizon. In order to take full advantage of training in an organisation, there must be effective top management support through the adoption of appropriate formal training and development strategies. This ensures seriousness and compels implementation (ibid).

Innovation is the development and implementation of new ideas by people who over time engage in transactions with others within an institutional order (Van de Ven, 1986). Issues such as population growth, climate change, resource scarcity and the rapid rate of evolving technology require massive shifts in business operations and offerings Rouwmaat (2012): Organisations now make innovation their primary focus because of its importance in attaining sustainable competitively strategic advantage.

The pressure of today's modern economy has necessitated compelling needs for organisations to change systems, products and services in order to remain relevant. This requires five key cultural and structural strategies (Metcalf 2017):

Delight Customers: Organisations must embrace feedback, suggestions from employees and customers and also develop a process to evaluate and prioritise those that would best meet customers' objectives and staying ahead of competition. This may involve having regular meetings with clients.

Working Cross-functionally: This involves departments working across functional boundaries as a normal course of business. Every team member should feel safe, supported and encouraged to contribute their best at all times. This is in contrast to organisations where "special people" contribute more than others.

Addressing Problems: Scientifically. This involves studying problems and developing solutions using scientific way of formulating hypothesis.

Accelerating Decisions and Learning: Decisions should be reviewed and refined on an on-going basis. The need to be "right" must be de-emphasised in favour of "learning".

Build Adaptability and Resilience: As necessary skills to effect rapid and positive change, organisational leaders need to build adaptability, flexibility, curiosity and resilience in the work environment. Workers need to feel comfortable and fearless to adapt to changes with creativity.

There is the need therefore for a world class system of starting, building and profiting from a culture of sustained innovation in the business environment to ensure a compelling and sustainable competitive advantage over rivals. This involves creativity, and unleashing team's ability and potentials.

Innovation is the lifeblood of business and the secret to outperforming competition (Brands & Kileinman 2010). Robert's rule of innovation sets new standard for "doing" innovation, equipping you with the principles needed

to:Inspire, lead and drive the process; manage risk, without letting fear of failure kill innovation; create a formalized New Product Development (NPD); convince others to work outside their comfort zone; build value for you innovation; instill Accountability; properly hire, train and coach to create, reinforce and enhance your company's culture and mindset; stay open to new ideas; observe, measure and track NPD results essential to optimal return on investment (ROI) and lastly, grow profitability, which benefits shareholders, stakeholders, employees, customers and consumers.Asad, Harun (2012) asserts that each person, regardless of ability,

style or orientation can and should be more innovative every day.

The model for this study is adapted from Kazmi(2008),which provided the elements of strategic management as summarized in figure 1, Sharabati & Fuqaha (2014), who used the balanced scorecard model to study the impact of strategic management on the Jordanian Pharmaceutical manufacturing organisations' business performance and Monday, Ologbenla, Aladeraji (2015), who provided evidence of the effects of strategic management on the performance of manufacturing firms in Nigeria.

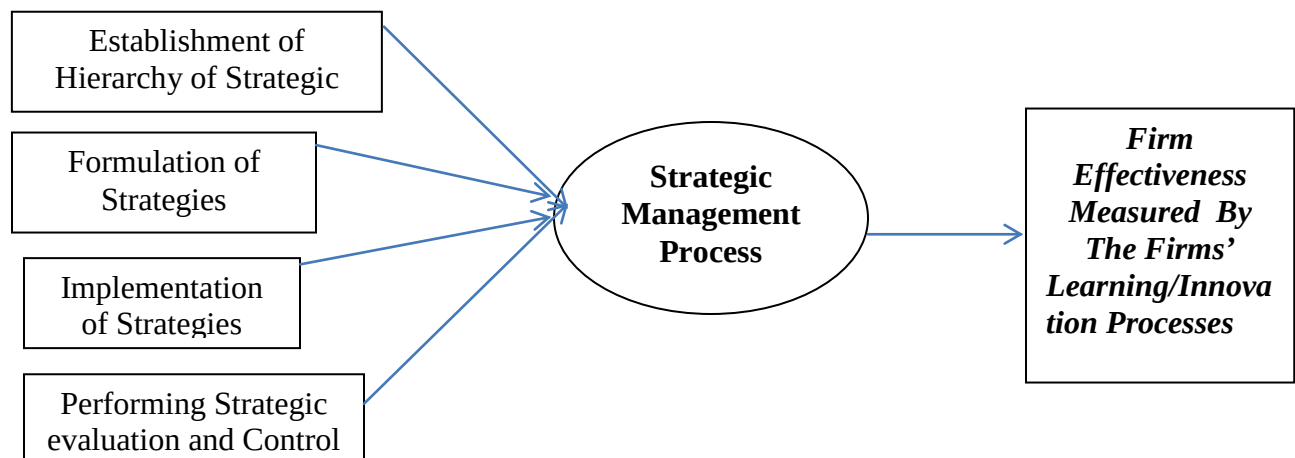


Figure 1: Study Model: Strategic Management Process and Firm Internal Process Effectiveness.

Source: Adapted By Researcher From Kazmi (2008), Sharabati & Fuqaha (2014) and Monday et al (2015).

Theoretical Framework

The major theory considered to support this work is the resource-based theory. This theory emanates from the principle that the source of a firm's competitive advantage lies in their internal resources as opposed to their positioning in the external environment. This theory, rather than simply evaluating environmental opportunities and threats in conducting business, says that competitive advantage depends on the unique resources and capabilities that a firm possess

(Barney, 1995). The resource based approach stipulates that in strategic management, the fundamental sources and drivers of firm's competitive advantage and superior performance are mainly associated with the attributes of their resources and capabilities which are valuable and costly to copy (Peteraf & Bergen, 2003).

Firm resources could be classified as physical, human, and organizational resources. The physical resources are the technology, plant and machinery, geographical location, and access to

raw material. The human resources are the training, experience, judgment, intelligence and relationships present in an organisation. The organisational resources are the formal systems and structures as well as informal relations among groups. Firms resources include all assets, capabilities, organisational processes, firm attributes, information, knowledge among others, controlled by a firm that enable the firm to conceive and implement strategies that improve its efficiency and effectiveness. Barney says that resources of an organisation can ultimately lead to strategic advantage if it has four characteristics, that is, if the resources are valuable, rare, costly to imitate and non substitutable (ibid). This theory supports both the SWOT analysis and PESTEL framework models for organisational appraisal in strategic management that are used in this study.

Research Hypothesis

H0₁ : Strategic management has no significant effect on the learning/innovation processes of manufacturing companies.

Research Methodology

The descriptive survey research design was adopted in this study. The population of study was all the 249 manufacturing companies in Oyo State, as registered with the Manufacturers

Association of Nigeria, Ibadan, Oyo State, Nigeria as at 1st November, 2016. However, based on the Taro Yamane formula for selection of sample from a given population (Yamane, 1993) a sample of 153 manufacturing companies was randomly selected for this study, This was further tested by the Fluid Survey Team formula which gave the same sample size of 151 firms. A simple average of 152 firms, or 61% the population was therefore selected by a combined purposive and systematic random sampling techniques.

Both primary and secondary sources of data collection were used in this study. A well structured five point Likert rating scale questionnaire tagged "Assessment of the Effectiveness of Strategic Management on the Internal Process of Manufacturing Companies Questionnaire" (AESMLIMCQ) was administered to collect data directly from the respondents. The reliability of the instruments was achieved using five manufacturing companies in Osun state through test and re-test methods of interval of two weeks. A Cronbach alpha coefficient of 0.80 was ascertained, confirming the reliability of the instrument. The data collected was analyzed using SPSS (Statistical Package for Social Sciences) version 20.0, Analysis of Variance ANOVA, descriptive and correlation analysis. The hypothesis was tested at 5 degree level of significance.

Results and Discussion of Findings

Table1: Relationship between Strategic Management and Firm's Learning/Innovation Effectiveness

R	R ²	Adjusted R ²	Std. Error of Estimate
0.558	0.311	0.281	0.513
a. Predictors: (Constant), Strategic Management			

Table 3: Effect of Strategic Management on Firm's Learning and Innovative Perspective (ANOVA)

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	6.221	1	4.233	18.819	0.000
Residual	17.575	48	0.302		
Total	23.796	49			

a. Dependent Variable: operational performance

b. Predictors: (constant), strategic management practice

Source: Field work, 2019

From the analysis on Table 1, the strategic management process of the selected firms could barely explain about 31% of the change in learning/innovation process as indicated by the R^2 value. There was a positive relationship between strategic management process and the firms' internal process effectiveness ($R = 0.558$). This indicates that as the level of practice of strategic management increased, the effectiveness of learning/innovation process of the firms also increased. Furthermore, the analysis of variance (ANOVA) in Table 2 showed that strategic management practice had significant effect on firm's learning and innovation process, ($F = 18.819$, $p < 0.05$). These results were consistent with previous similar studies by Meyer & Wit (2013) and Monday et. al (2015) which revealed that strategic management enhanced operational performance as well as the structural development of organisations.

These results were consistent with Monday et. al (2015) who found out that strategic management had significant effects on the profitability and operational performance of selected manufacturing firms in Lagos metropolis in Nigeria to gain competitive advantage, Dauda et al (2010) who concluded that strategic management enhances both organisational profitability and company market share, and Chen et al (2017) who supported the links between strategic management and purchasing, supply management, customer responsiveness and financial performance of firms.

Conclusion

The positive relationship between strategic management process, as well as the results of the analysis of variance (ANOVA) both showed that strategic management practice had significant effect on firm learning/innovation process. This means that as the level of practice of strategic management increased, the effectiveness of

learning/innovation process of the firms studied also increased. From the information on the analysis obtained from the respondents and the interpretation of the tested hypotheses therefore, the study concluded that strategic management had a positive and significant relationship with the learning/innovation process of the selected manufacturing firms. Strategic management is therefore an important tool for improving firm effectiveness as measured by the learning/innovation processes because as the level of practice of strategic management increased, firms' learning/innovation effectiveness also increased.

Recommendations

Based on the findings of this study, it is recommended that firms (whether small, medium or large-scale organisations) in Nigeria should make it a matter of policy to give strategic management process a topmost priority as it is a critical success factor in enhancing firm's learning/internal processes of these firms and therefore their competitive position.

In addition, entrepreneurial institutes, leading business and technology schools and tertiary institutions in Nigeria should intensify their efforts to promote the learning of strategic management, offering degree programs certificate programs and executive training specifically on strategic management, training and innovation. This would expand the scope for the knowledge base of this very important management tool that is necessary for organizational effectiveness through the internal process perspective.

For future research direction this study should be replicated in the Nigerian service industry which constitutes a significant proportion of businesses in the country. This will provide further evidence on the relationship between strategic management and firm learning/innovation processes in Nigeria.

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