# IMPACT OF STRATEGIC MANAGEMENT ON THE PERFORMANCE OF PRODUCTION FIRMS

## (A study of selected firms in Lagos)

**BY**

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## CERTIFICATION

This is to certify that this research project was carried out by Onwubuariri Clinton Chigozie (Reg No: 20064576958) of the department of Project Management Technology, and is hereby submitted as a contribution to knowledge and learning.

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# DEDICATION

This project is dedicated to my beloved parents, Late Mr. Godson Onwubuariri and Late Mrs. Rhoda Onwubuariri.

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**ABSTRACT**

The study examined the impact played by strategic management on the performance of selected oil and non-oil production firms in Lagos. Data were collected from both primary and secondary sources. The primary source involved the use of a well structured questionnaire to capture the current practice of strategic management in some production firms and impacts on organizational performance. The secondary data were obtained from textbooks, journals, newspapers and government publications. Statistical tools were used for data analysis and test of hypotheses formulated. The results of the study shows that investment in information system, maximization of shareholders wealth, investment in research and development, employees training and development etc have a great impact on the organizational performance in rapidly changing business environment.

**KEYWORDS**: Strategy, data, information, system, opportunity, strengths, weakness, threats, mission, goals, strategic managements, organizational performance, production, firms, business, environment etc

# CHAPTER ONE

# INTRODUCTION

## 1.1 BACKGROUND OF THE STUDY

The concept of strategy was derived from the Greek word "strategos" which meant general. The earliest recorded attempts to define strategy emanated from Roman military Commanders who sought to document the strategic options available on the battlefield. Reflecting the military roots of strategy, the American Heritage Dictionary defined strategy as "the science and art of military command as applied to the overall planning and conduct of large-scale combat operations. Strategy is a subject that has exercised the minds of political, military and business leaders for centuries.

Alfred Chandle (1963) conceptualized strategy as "the determination of the long term goal and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals. Implicit in Chandle's definition, the organization is depicted as choosing its goals, identifying the courses of actions that best enable it to fulfill its goals and allocating resources. But the continued quest for optimization of scarce resources especially in the competitive and dynamic business environment has led to growing complexity of business decision making due to changing market conditions, technological advancement, exchange rate risk, unstable government policies, emergence of competitors, social and political changes in so many nations across the globe.

Consequently, these changing conditions in dynamic business environment have created a puzzle among economic scholars and business professionals on how best to optimize the performance of interactive man-machine-material-money system with respect to time in the business environment.

However, the attempt to find solution(s) to the puzzle among economic scholars and business professionals has metamorphosed strategic planning into what is known today as strategic management. Strategic management is relatively young subject which originated in the 1960s. Today, there is only partial agreement on the fundamental principles of strategic management with many views, ideals and concepts.

In a broad sense, strategic management can be defined as the art and science of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its objectives. It is the process of specifying the organization's objectives, developing policies and plans to achieve these objectives and allocating resources to implement the policies and plans to achieve the organization's objectives. In a growing number of corporations, particularly the larger industries, and the framework by which strategy is devised is the formal long range planning.

Thompson (1967) asserted that the ability of any firm to cope with any business environment uncertainty is the very essence of management. This relationship between the firm and its environment is usually facilitated and governed by the firm's corporate strategy.

Kotler (1976) presented corporate strategy as a panacea against corporate failure or dismal performance in a turbulent environment.

Conclusively, a well formulated corporate strategy of any production firm in Nigeria designed for product quality, innovation and customer responsiveness not only increases profitability over a long term but also helps the firm in maintaining a competitive advantage over other competitors.

## 1.2 STATEMENT OF THE PROBLEM

In many industries today, particularly the larger firms, the management have been blamed for gross inefficiency, low productivity, increasing cost of administration and chaotic administrative structure.

Therefore, as a potential tool necessary for the success of any business, strategic management is imperative. A critical analysis of the business environment has shown that many of our industries, particularly production firms have been witnessing problems of changing consumer social values and market behaviour, government policies, scarcity of raw materials which are tantamount to corporate failures.

The aim of this study is therefore, to critically study the impact played by strategic management on the performance of production firms in Nigeria.

## 1.3 OBJECTIVES OF THE STUDY

The specific objectives of the study are to

1. Determine how strategic management affects the performance of production firms in Nigeria.

2. Ascertain the significance of management information system as a tool used at strategic management level to improve the performance of production firms in Nigeria.
3. Determine if performance appraisal is a functional roadmap for tracking the productivity of production firms in Nigeria.
4. Ascertain if strategic management gives direction to corporate objectives, corporate culture, corporate goals and corporate missions of production firms in Nigeria.

## 1.4 RESEARCH QUESTIONS

These are the investigative questions which the research seeks to address. They are as follows:

1. To what extent does strategic management affect the performance of production firms in Nigeria?

2. What is the significance of management information system as a tool used at strategic management level to improve the performance of production firms in Nigeria?

3. Is performance appraisal a functional roadmap for tracking the productivity of production firms in Nigeria?

4. Does strategic management gives direction to corporate objectives, corporate culture, corporate goals and corporate missions of production firms in Nigeria?

5. Will the success or failure of any production firms in Nigeria depend on the attitude or leadership style of the chief executive officer in the realization of corporate goals?

## 1.5 RESEARCH HYPOTHESIS

From the above research questions, the following hypothesis could be testable.

**Ho1:** There is no significant relationship between strategic management and the performance of production firms in Nigeria.

**Ho2:** The success or failure of any production firms in Nigeria does not depend on the attitude or leadership style of the chief executives officer in the realization of corporate goals.

## 1.6 SIGNIFICANCE OF THE STUDY

The contribution of this research to the performance of any production firm will reflect the impact of various strategic initiatives of its top management. The significance of this study will

(i) Improve business image.

(ii) Increase operational efficiency

(iii) Improve competitive positions

(iv) Improve management decision making through strategic management information for the overall survival of an organization in its business environment.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 HISTORICAL DEVELOPMENT OF STRATEGIC MANAGEMENT

Strategy is a subject that has exercised the minds of political, military and business leaders for centuries. The earliest recorded attempts to define strategy emanated from Roman military commanders who sought to document the strategic options available on the battlefield. The concept of strategy was derived from the Greek word "strategos" which meant general. The word strategy therefore, literally meant " the art of the general".

Alfred Chandle (1963) conceptualized strategy as "the determination of the long term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals. Implicit in Chandle's definition, the organization is depicted as choosing its goals, identifying the courses of actions that best enable it to fulfill its goals and allocating resources. In line with his orientation, strategic planning was construed as an essentially analytical process focusing on the choice of long term objectives and goals, the design of an appropriate organization structure and systems to implement them.

But the continued quest for optimization of scarce resources especially in the competitive and dynamic business environment has led to growing complexity of business decision making due to changing market conditions, technological advancement, exchange rate risk, unstable government policies, emergence of competitors, social and political changes in so many nations across the globe.

Consequently, these changing conditions in dynamic business environment have created a puzzle among economic scholars and business professionals on how best to optimize the performance of interactive man-machine-material-money system with respect to time in the business environment. However, the attempt to find solution(s) to the puzzle among economic scholars and business professionals has metamorphosed strategic planning into what is known today as strategic management. Strategic management is a relatively young subject which originated in the 1960s. Today, there is only partial agreement on the fundamental principles of strategic management with many views, ideals and concepts.

Schendel and Hatten (1972) defined strategic management as the process of determining and maintaining the relationship of the organization to its environment expressed through the use of selected objectives and of attempting to achieve the desired states of relationship through resource allocations which allow efficient and effective action program by the organization and its subpart.

Hussey (1981) described the concept of strategic management as a comprehensive future oriented, continuous process of management which is implemented within a formal work. It is said to be responsive to reflect changes in the external environment and concerned with both strategic and operational planning.

Charfee (1985), summarized the main elements of strategic management theory as follows:

- Strategic management is fluid and complex. Change creates novel combinations of circumstances requiring unstructured non-repetitive response.
- Strategic management affects the entire organization by providing direction.
- Strategy is the central and unique core of strategic management.
- Strategic management involves both strategy formation (she called it content) and also strategy implementation (she called it process).
- Strategic management is partially planned and partially unplanned.
- Strategic management involves both conceptual and analytical thought process.

Strategic Management is therefore a systematic approach to major and increasingly important responsibility of general management to position and relate the firm to its environment in a way which will ensure its continual success and make it secure from surprises. Strategy and Management is concerned with deciding on strategy and planning how that strategy is to be put into effect.

## 2.2 THE ELEMENTS OF STRATEGIC MANAGEMENT PROCESSES

Strategic management as a process involves four basic elements (Wheelen et al,1992); situation analysis (environmental scanning), strategy formulation, strategy implementation and strategy Evaluation.

1. **Situation Analysis (Environmental Scanning)**

Situation analysis is the first step in the strategic management process. The situation analysis provides the information necessary to create a company mission statement. Situation analysis involves looking over the company's external and internal environments and the context in which the company fits in those environments. It begins with observing the company's internal environment, investigating how employees interact with other employees, manager interaction with shareholders. In addition, discussion, interviews and surveys can be used to analyze the internal environment. To analyze the external environment, the organization must look at the interactions between customers, suppliers, creditors and competitors. Both internal and external factors affect the success of any organization. All of these inputs will be part o the SWOT analysis that will review strengths, weakness, opportunities and threats as the starting point for the development of strategies.

2. **Strategy Formulation**

Strategy formulation involves designing and developing the company strategies. The SWOT analysis is a critical input to the development of strategies that will help organization achieve their goals and objectives. strategies will be based on leveraging or capitalizing on strengths and weakness or avoiding or overcoming weaknesses and threats. Strategy formulation is generally broken down into three organizational levels: operational, competitive and corporate.

(ii) Operational strategies are day-to-day or short term operations with the various operational departments of the company such as human resources, finance, marketing and production. These strategies are department specific. For example, human resource strategies would be concerned with the act of hiring and training employees with the goal of increasing human capital.

(iii) Competitive strategies are those strategies associated with methods of competing in a certain business or industry. Knowledge of competitors is required in order to formulate a competitive strategy. The company must learn who its competitors are and how they operate as well as identify the strengths and weakness of the competitors. With this information, the company can develop a strategy to gain a competitive advantage over these competitors.

(iv) Corporate strategies are long term plans associated with deciding the optimal mix of business and the overall direction of the organization (Coulter, 2005). Operating as a sole business or operating as a business with several divisions are both part of the corporate strategy.

**3. Strategy Implementation**

Strategy implementation is the third step in the strategic management process. It involves putting the formulated strategy into practice. This includes developing steps, methods and procedures to execute the strategy. It also involves the creation of specific tactics or action plans that indicate how strategies will be achieved. The strategies should be prioritized based on the seriousness of underlying issues. For the development of a brand campaign for instance, tactics might include: selecting an advertising agency, creating promotional materials, developing or updating websites etc. tactics should be assigned to specific individuals for implementation and accountability should be clearly established. In addition, strategy implementation will identify the specific resources (time and money) required to ensure that the strategy can be achieved.

**4. Strategy Evaluation**

Strategy Evaluation is the final step in the strategic management process which involves examining how the strategy has been implemented as well as the outcomes of the strategy. This includes determining whether deadlines have been met, whether the implementation steps and processes are working correctly, and whether the expected results have been achieved. If it is determined that deadlines are not being met, processes are not working or results are not in line with the actual goals, then the strategy can be modified or reformulated. Both management and employees are involved in strategy evaluation because each is able to view the implemented strategy from different perspectives. An employee may recognize a problem in a specific implementation step that management would not be able to identify. The strategy evaluation should include challenging metrics and time tables that are achievable. Each organization has its own approach to evaluation. There are no absolute answers as to the proper evaluation standards. However, there are three basic questions to ask in strategy evaluation.

(i) Is the existing strategy any good?

(ii) Will the existing strategy be good in future?

(iii) Is there a need to change a strategy?

The first question may need additional detailing to indicate whether the current strategy is useful and beneficial to the organization. As your organization's plan is developed, you must continually ask the following questions.

(A) Is the strategy internally consistent? Internal consistency refers to the cumulative impact of various strategies on the organization.

(B) Is organization strategy consistent with its environment? An important test of strategy is whether the chosen strategy is consistent with the environment (constituent demands, competition, economy, product/industry life cycle, suppliers, customers).

(C) Is the strategy appropriate in view of available resources?

(D) Does the strategy involve an acceptable degree of risk?

(E) Does the strategy have an appropriate time horizon?

A significant part of every strategy is the time horizon on which it is based. For example a new product developed, a plant put on stream, a degree of market penetration, become significant strategic objectives only if accomplished by a certain time. Management must ensure that the time necessary to implement the strategy is consistent. Inconsistency between these two variables can make it impossible to reach goals in satisfactory way.

(F) Does strategy constitute a clear stimulus to organization effort and commitment?

(G) Is the strategy socially responsible? Evaluation strategies must be regularly assessed, easily reported, communicated to stakeholders and open to feedback and change.

Therefore, in measuring the effectiveness of the organizational strategy, it is extremely important to conduct a 'SWOT' analysis to figure out the strengths, weakness, opportunities and threats (both internal and external) of the entity in question.

## 2.3 A MODEL OF THE STRATEGIC MANAGEMENT PROCESSES

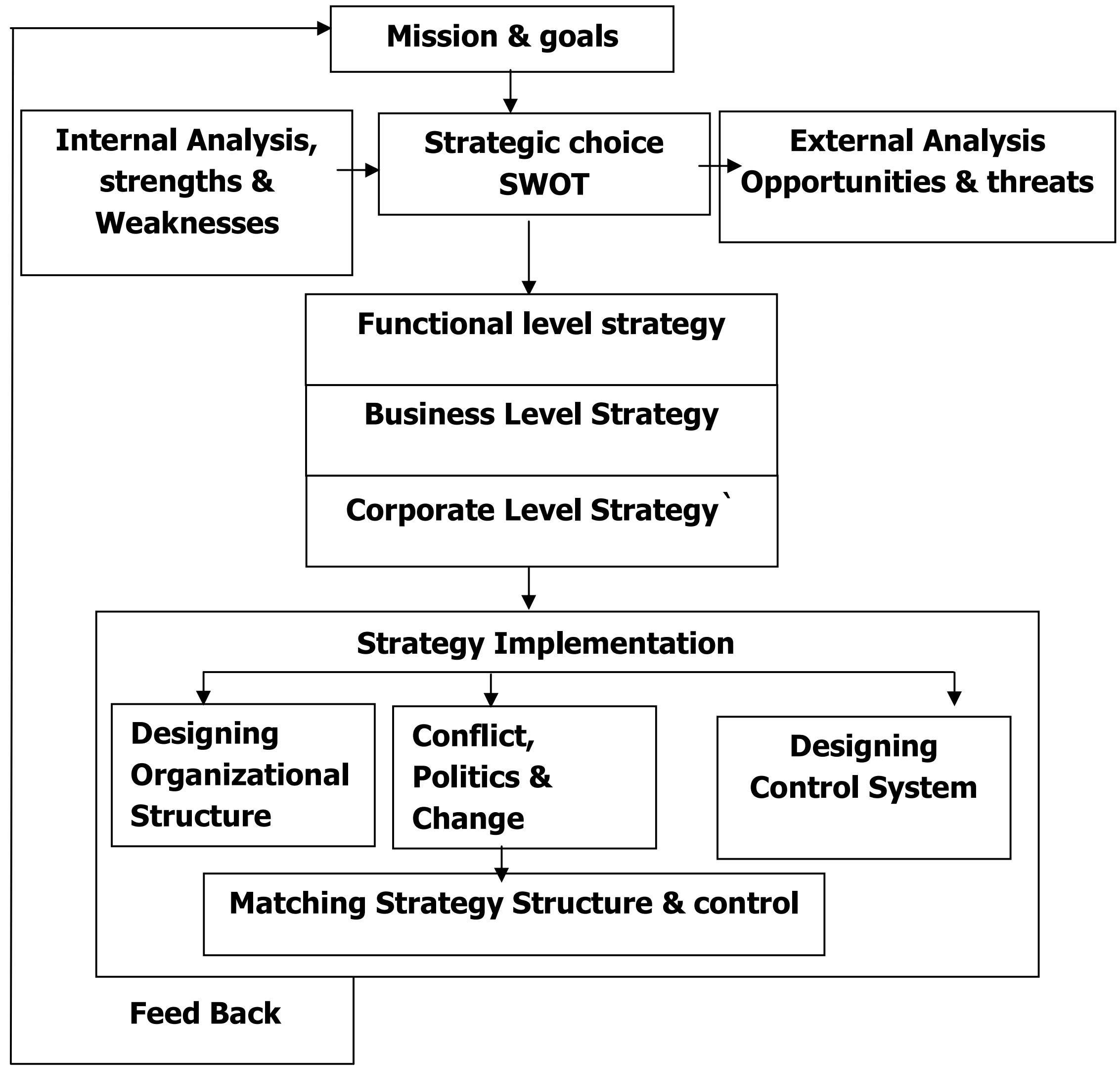



Figure 2.1: components of the strategic Management Process

The strategic management process model shown in fig 2.1 above can be broken into five different components as follows:

### 2.3.1 Mission and Goals

The first component of the strategic management is defining the mission and major goals of the organization. The mission sets out why the organization exists and what it should be doing while the goals specify what the organization hopes to fulfill in the medium to long term. The spelling out of the major goals gives direction to the corporate mission statement and helps guide the formulation strategy.

Examples of the mission statement of some of the productive firms selected for the study are as follows:

**I NIGERIAN BREWERIES PLC**

**Mission Statement:** "To be the leading beverage company in Nigeria, marketing high quality brands to deliver superior customer satisfaction in an environmentally friendly way".

**II. UAC OF NIGERIA PLC**

**Mission Statement:** "To experience the thrills of adding value to lives and business by being a superior convenience provider.

**III. CHEVRON TEXACO**

**Mission Statement:** "Our mission is to find, produce, process and sell oil and gas for the maximum benefit of the Federal Republic of Nigeria, the National Petroleum Corporation, chevron Texaco and all other stakeholders."

### 2.3.2 Organizational External Analysis

The analysis of the organization's external competitive environment helps to identify its opportunities and threats.

A. **opportunities:** This is what the organization has to cash on or utilize Examples; (i) Imports of competitive products becoming costlier, (ii) Product finding alternative uses, leading to increase in demand, (iii) Globalization of business etc

B. **Threats:** This is what organizations anticipate and combat Example; (i) Raw materials become costlier, (ii) Possible hike in electric power charges, duties and taxes (iii) Stringent pollution control measures adopted by the government etc.

### 2.3.3 Organizational Internal Analysis

The analysis of the organization's internal environment helps to identify the strength and weakness of the existing operations.

A. **Strength:** This is what the organization has as an advantage. Examples; (i) Qualified, committed, motivated and reliable work force, (ii) Good network of dealers and distributors already established (iii) Goodwill developed among clients etc.
B. **Weakness:** This is what the organization has to overcome. Examples; (i) Scarcity of raw materials, (ii) Technological Obsolescence, (iii) Labour Unrest etc.

In most large organization's, the selection of several strategy levels are very important to build the organization's strengths and correct its weakness in order to take advantage of external threats.

I. **Functional level Strategy:** By functional level strategies, we mean strategies directed at improving the effectiveness of functional operation within an organization such as manufacturing, marketing, material management, human resources, research and development.

II. **Business Level Strategy:** The business level strategy of an organization encompasses the overall competitive theme that organization chooses to address the way it positions itself in the market place to gain a competitive advantage and the different positioning strategies that can be used in different industry settings.

### 2.3.4 Strategy Implementation

The strategy implementation is categorized into four main components as:

**(I) Designing Organizational Structure:** To make a strategy work, the organization needs to adopt the correct structure. Designing a structure entails allocating task responsibility and decision making authority within an organization. The issues covered include how best to divide an organization into sub units, how to distribute authority among the different levels of an organization hierarchy and how to achieve integration between sub units.

**(II) Designing Control System:** Besides choosing a structure, an organization must also establish appropriate organizational control system. It must decide how to asses the performance and control the actions of subunits.

**(III) Matching strategy, structure and control:** For any organization that wants to succeed, it must achieve a fit among its strategy, structure and control.

## 2.4 THE NATURE OF NIGERIAN PRODUCTION SECTOR

Nigerian production sector is structured into two categories: The oil production sector and non – oil production sectors.

The oil sector accounts for more than 90 percent of Nigeria's exports, 25 percent of its Gross Domestic Product (GDP) and 80 percent of its public revenues.

The production sector consists of private firms, government owned firms and public liability companies.

The oil sector is further divided into (i) upstream sector (i.e. crude oil exploration and production) and (ii) downstream (i.e. marketing of refined petroleum products)

From the Nigerian Capital Market, the non –oil production sector is categorized into the following industries:

I. Breweries
II. Building Materials
III. Chemical and paints
IV. Conglomerates
V. Food/ Beverages and Tobacco
VI. Health care
VII. Packaging
VIII. Industrial/ Domestic products
IX. Textiles

This study is restricted to the impact of strategic management on the performance of the production firms in Nigeria with respect to some of the selected production firms.

Production activities constitute the transformation of materials into a desirable output (products). Production consists of series of sequential operations to produce a desirable product acceptable to customer and meets the customer demand, with respect to the quality and intended function. The efficiency of production system is stated in terms of its ability to produce the products with required quantity and specified quality at predetermined cost and pre-established time.

## 2.5 ORGANIZATIONAL DECISION MAKING AND INFORMATION SYSTEM

The view of organizational performance from a decision making or problem solving aspect is consistent with the open system's perspective of organizations that emphasizes information processing and problem solving. The importance of management decision making cannot be over emphasized.

Simon (1947) claims decision making to be the "heart of organizations"

Scott (1987) also considers decision making as the basic operation of an organization. How well an organization makes its decisions thus becomes the center of organizational performance.

### 2.5.1 INFROMATION AND TECHNOLOGY DRIVEN STRATEGY

Using of information systems to support business decision making has been one of the primary thrusts of the business use of information technology. John Nesbitt (1984) theorized that the future would be driven largely by information; companies that managed information well could obtain an advantage, however, the profitability of what he called “Information float” (information that the company had and others desired) would all but disappear as inexpensive computers made information more accessible.

Senge (1990) conceptualized that an organization’s ability to gather, analyze and use information is a necessary requirement for business success in the information age. In order to do this, Senge (1990) claimed that an organization would need to be structured such that.

I. People can continuously expand their capacity to learn and be productive.

a. New patterns of thinking are nurtured

b. Collective aspirations are encouraged and

c. People are encouraged to see the "whole picture" together.

Access to information systems have allowed senior managers to take a much more comprehensive view of strategic management than ever before. The most notable of the comprehensive system is the balanced score card approach in the early 1990's by Dr. S. Kaplan and Dr. David Norkton. It measures several factors: financial, marketing, production, organizational development and new product development in order to achieve organizational objective.

In today's increasing global and competitive business environment, the focus of companies has shifted form being product-oriented to knowledge-oriented in the sense that market operators today compete in process and innovation rather than in products. The biggest asset of organizations today is their information represented by people, experience, know- how and innovations.

## 2.6 ORGANIZATIONAL PERFORMACE

Organizational performance has been represented by a wide range of indicators. Research has shown that it is impossible to obtain the best or sufficient indicator of organizational performance (Kahn, 1977; Molnar & Rogers, 1976) and that whether an organization is said to be effective depends on "the purpose and constraints placed on the organizational effective’s investigation".

Tracking organizational performance improves the capability of a business. It requires monitoring, analysis, risk assessment, timely reporting and action based on information coming from many different parts of the business including external partners, vendors and customers. Demonstrating organizational success entails closing the gap between strategy and operational execution by cascading corporate goals down into department relevant metrics.

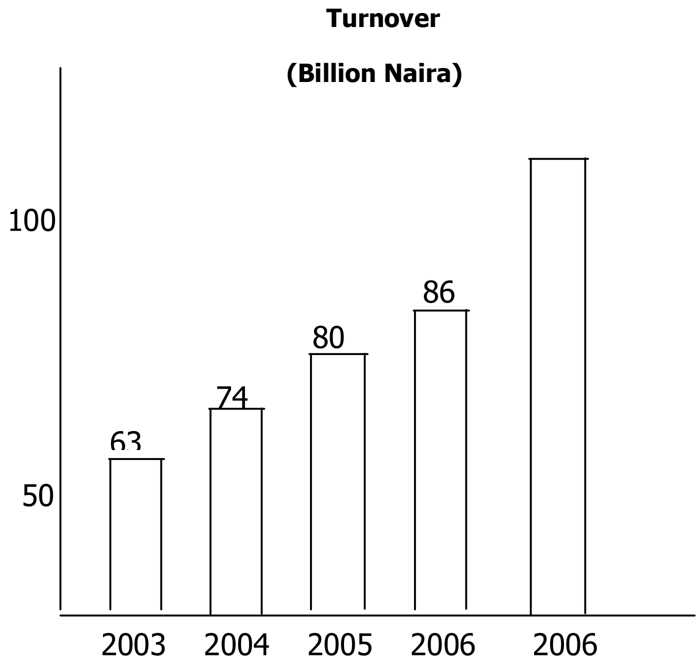



**Figure 2.2: performance graph for Nigerian Breweries Plc**

**Source: Nigerian Breweries Plc 2007 Annual Report & Accounts**

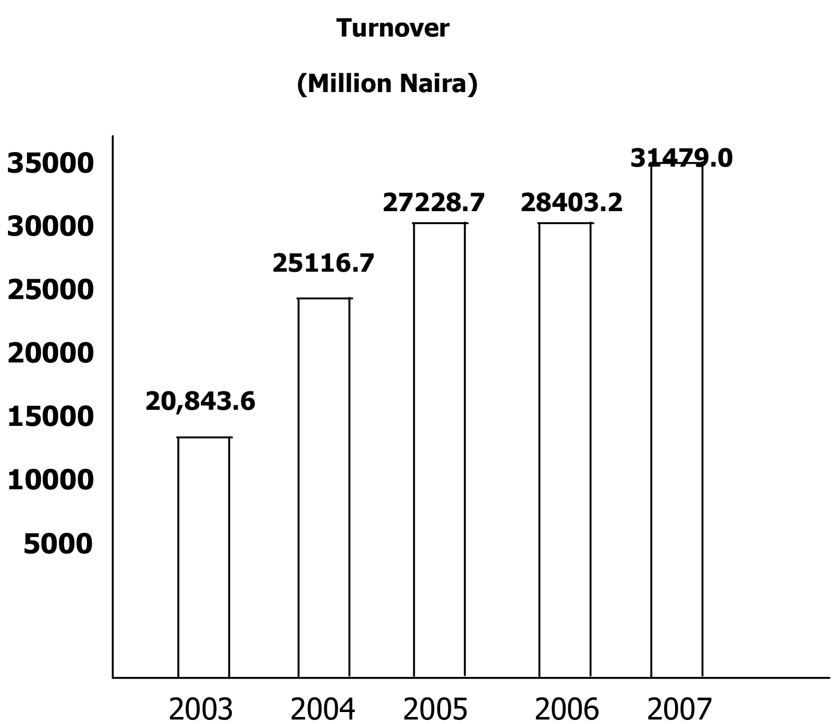



**Figure 2.3: performance graph for UAC of Nigeria Plc**

**Source: UAC of Nigeria, 2007 Annual Report & Accounts**

## 2.7 STRATEGIES ADOPTED BY SOME PRODUCTION FIRMS TO ACHIEVE GOOD ORGANIZATIONAL PERFORMANCE

The organizational performance reflects the impact of various firms' management strategic initiatives which are focused on delivering shareholders values through the achievement of sustainable, capital efficient and profitable long term growth. The Strategies adopted by some Nigerian production firms to achieve good organizational performance are as follows:

### 2.7.1 HUMAN DEVELOPMENT AND TRAINING

Training is a process of maintaining and or improving current job performance while development programme is the process of designing the development of skills necessary for future work activities.

In today's competitive business landscape, human capability has been found to be a key factor for corporate success. The critical challenge towards continuous performance improvement remains the capability and speed of response to changes in business environment through human development and training. The organization's training and development policy is geared toward ensuring that employees have the appropriate competencies and attitude to carry out their functions. In addition to formal training (e.g. coaching, planned works, training courses etc.) which takes place inside and outside the country, employees are also appointed to serve in committees and take part in project thereby broadening their knowledge of the organization as well as sharpening their interpersonal skills.

### 2.7.2 VERTICAL INTEGRATION

The degree to which a firm owns its upstream suppliers and its downstream buyers is referred to as vertical integration; vertical integration can be classified into;

I. **BACKGROUND INTEGRATION**

This is the expansion of activities downstream of a firm. In this case, the manufacturing or production firm that uses a value added raw material goes for the implementation of a project for the production of this value added raw material within its production line.

II. **FORWARD INTEGRATION**

This is the expansion of activities upstream of a firm while backward integration is done by adding manufacturing/processing facilities at the beginning stages of a product line, forward integration is done by adding additional manufacturing/processing facilities at the end of production line. The products that are currently produced undergo further processing resulting in further value addition. Be it backward integration or forward integration, the capacity of the production facilities added must match with the existing production facilities.

### 2.7.3 DIVERSIFICATION

Diversification is necessitated by the urge to explore market potentials in unattempted areas with a view to improving upon the profitability of the organization. In other hand, a firm can opt to invest in more than one business in order to spread its risk. A firm that is currently engaged in some business activity may opt to diversify into some other line of business as a strategy.

### 2.7.4 JOINT VENTURE

Where sentiments of nationalism and nationalization are still very strong, Joint venture can become more popular. Nigeria is not exempted in this aspect. In this strategy, a firm (most company) joins forces with another to accomplish task that it cannot accomplish alone by itself. The strategy provides for the sharing of risks and benefits of the business venture. This also helps a firm to get into the industry that is open to indigenous organization. Example: Operators of NNPC/NAOC/Philips Oil Joint Venture, Operator of the NNPC/MPN joint Venture etc.

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.1 INTRODUCTION

This chapter discusses researcher design survey, the methods and tools of data collection and also describes the population and the procedure for the selection of the sample from the population. It also explains the design and method of questionnaire administered and the method of data analyses.

## 3.2 SAMPLE SIZE

A total of one hundred (100) random samples of the Chief Executive Officers and other corporate managers of the selected production firms formed the sample size.

## 3.3 METHOD OF DATA COLLECTION

Data were collected from both primary and secondary sources. The primary source involved the use of a well structured questionnaire to capture the current practice of strategic management in some production firms and impacts on organizational performance. The secondary data were obtained from textbooks, journals, newspapers and government publications.

## 3.4 RESEARCH INSTRUMENT

Multiple choice questionnaires were administered with alternative and 5 point scale provided as answers to them. The questions were divided into two sections. The first section contained the bio-statistics information of the respondents while the second and more technical section comprising questions (2 to 21) contained the main questions about the study with particular focus on the impact of strategic management on organizational performance.

## 3.5 METHOD OF DATA ANALYSIS

Data collected were analyzed using descriptive and inferential statistics such as percentages, spearman rank correlation coefficient and chi-square.

In the percentage analysis, the number of responses and percentage of responses were calculated after determining the frequency of every option.

The spearman rank correlation coefficient was used to test the hypothesis 1.

Therefore, in an explanatory research of this nature, there is need to establish relationship between variables (dependent and independent) in hypothesis 1. In this case, the strategic management was assigned the independent variable, **X** while the performance of production firms in Nigeria was assigned the dependent variable, **Y**.

Chi-square method was used to test the hypothesis 2.

# CHAPTER FOUR

# PRESENTATION AND ANALYSIS OF DATA

## 4.1 INTRODUCTION

This chapter presents the analysis of data collected and test of hypotheses formulated.

## 4.2 CHARACTERISTICS OF RESPONDENTS

A total of hundred (100) copies of the questionnaire were distributed to the chief executive officers and other top level managers in the fifteen (15) selected oil and non oil production firms in Lagos. Out of these, eighty five (85) copies were returned representing eighty five percent (85%) of the sample population. The characteristic of the respondents are represented as follows:

**TABLE4.1: Distribution and Return of Questionnaires**

| PRODUCTION FIRMS | DISTRIBUTED | RETURNED | PERCENTAGE (%) RESPONSES |
|---|---|---|---|
| Oil | 35 | 30 | 35 |
| Non-oil | 65 | 55 | 65 |
| **Total** | **100** | **85** | **100** |

**Source:** Field data, 2010

**Table 4.1** shows that 30 copies of the questionnaire were returned from the oil production firm while 55 copies were returned from oil production firm. This represents 35% and 65% of the respondent respectively.

**TABLE 4.2A: SEX DISTRIBUTION OF RESPONDENTS**

| **SEX** | **NO OF RESPONDENT** | **PERCENTAGE** (%) |
|---|---|---|
| Male | 65 | 76 |
| Female | 20 | 24 |
| **Total** | **85** | **100** |

**Table 4.2A;** shows that 65 respondents were male while 20 respondents were female.

**TABLE 4.2B: AGE OF RESPONDENTS**

| **AGE BRACKETS** | **NO OF REPONDENT** | **PERCENTAGE (%) OF RESPONDENT** |
|---|---|---|
| 21-30 years | 5 | 6 |
| 31-40 years | 18 | 21 |
| 41-50 years | 35 | 41 |
| Above 50 years | 27 | 32 |
| **Total** | **85** | **100** |

**Table 4.2b;** shows that 5 respondents were between 21-30 years and formed 6% of the respondents, 18 respondents were between 31-40 years and formed 21 % of the respondents, 35 respondents were between 41-50 years and formed 41 % of the respondents while 27 respondents were above 50 years and formed 32% of the respondents.

**TABLE 4.2C: MARITAL STATUS OF RESPONDENTS**

| **MARITAL STATUS** | **NO OF RESPONDENT** | **PERCENTAGE OF RESPONDENTS** |
|---|---|---|
| Married | 68 | 80 |
| Single | 17 | 20 |
| **Total** | **85** | **100** |

**Table 4.2c,** shows that 68 respondents were married while 17 respondents were single.

**TABLE 4.3 POSITIONS OF RESPONDENTS**

| **POSITIONS** | NO OF **RESPONDENTS** | **PERCENTAGE (%) OF RESPONDENTS** |
|---|---|---|
| Chairman/CEO | 15 | 18 |
| Managing director / other directors | 58 | 68 |
| General / Factory manager manager | 12 | 14 |
| **Total** | **85** | **100** |

**Table 4.3;** shows that 15 respondents were either chairman or CEO, 58 respondents were either managing director or other managers, while 12 respondents were either general or factory managers.

**TABLE 4.4 Highest Educational Qualifications or Respondents**

| **QUALIFICATION** | **NO of Respondents** | **PERCENTAGE (%) 0f RESPONDENT** |
|---|---|---|
| School Certificate/ Diploma | 10 | 12 |
| First degree | 37 | 44 |
| Master Degree/PhD | 30 | 35 |
| Others | 8 . | 9 |
| **Total** | **85** | **100** |

**Table 4.4;** shows that 10 respondents had either school certificate or Diploma, 37 respondents had first Degree, 30 respondents had either Masters Degree or PhD while 8 respondents had other qualifications.

## 4.3 ANALYSIS OF RESEARCH QUESTION

**Research Question 1:** To what extent does strategic management affect the performance of production firms in Nigeria?

The analysis of this research question is based on the data obtained from question 13 of the questionnaire as follows:

A. Thirty (30) of the respondents said that strategic management affected the performance of production firms in Nigeria very high.

B. Thirty five (35) of the respondents said that strategic management affected the performance of production firm in Nigeria at high rate.

C. Fourteen (14) of the respondent answered moderate.

D. Six (6) of the respondent answered low.

**Research Question 2:** what is the significance of management information system as a tool used at strategic management level to improve the performance of production firms in Nigeria? The analysis of this research question is based on the data obtained from question 18 of the questionnaire as follows:

A. Forty eight (48) of the respondents answered very high

B. Twenty seven (27) of the respondents answered high

C. Ten(10) of the respondents answered moderate.

**Research Question 3:** Is performance appraisal a functional roadmap for tracking the productivity of production firms in Nigeria? The analysis of this research question is based on the data obtained from question 19 of the questionnaire as follows:

A. Twenty eight (28) of the respondents strongly agreed

B. Thirty five (35) of the respondents agreed

C. Twenty two (22) of the respondents were neutral.

**Research Question 4:** Does strategic management gives direction to corporate objectives, corporate culture, corporate goals and corporate mission of production firms in Nigeria? The analysis of this research question is based on data obtained from question 16 of the questionnaire as follows:

A. Fifty three (53) of the respondents strongly agreed on that question

B. Twenty six (26) of the respondents agreed on that question.

C. Six (6) of the respondents were neutral.

**Research Question 5:** Will the success or failure of any production firm in Nigeria depend on the attitude or leadership style of the chief executive officer in the realization of corporate goals? The analysis of this research question is based on the data obtained from question 20 of the questionnaire as follows:

A. Twenty six (26) of the respondents answered yes.

B. Forty four (44) of the respondents said no.

C. Fifteen (15) of the respondents cannot say.

## 4.4 ANALYSIS OF OTHER QUESTIONS

This is the analysis of the remaining data obtained from the questionnaire.

**Question 3:** What is the size of your firm?

A. Seventy four (74) of the respondents said that the size of their firms were large scale

B. Eleven (11) of the respondents said that the size of their firms were medium scale.

**Question 5:** How long have you worked in your present job?

A. Twelve(12) of the respondents said that they had being in their present job for 1- 2 years

B. Twenty five(25) of the respondents said that they had being in their present job for 3-4 years

C. Thirty (30) of the respondents says that they had being in their present job for 5-6 years

D. Eighteen (18) of the respondents said that they had being in their job for above 6 years.

**Question 7:** How would you rate your understanding of the subject, strategic management?

A. Eighteen(18) of the respondents said that they understood the subject very high

B. Forty (40) of the respondents said that they had high understanding of the subject.

C. Twenty seven (27) of the respondents said that they understood the subject moderately.

**Question 8:** Does your firm evolve strategic management?

A. All (85) of the respondents said that strategic Management were carried out in their firms.

**Question9:** If your response to question 8 above is yes, at what level is strategic management carried out in your firm?

A. All (85) of the respondents answered top level management

**Question 10:** Who implements the formulated strategies in your firm?

All (85) of the respondents answered CEO / Managing Director

**Note:** Managing Director implements the formulated strategies for the firms where there is no position of CEO.

**Question 11:** If your response to question 10 is an individual, who is he/ she reporting to?

A. All (85) of the respondents answered Board of Directors

**Question 12:** How would you rate the performance of your firm for the last 6 years?

A. Thirty five (35) of the respondents answered very high
B. Twenty eight (28) of the respondents said high
C. Fifteen (15) of the respondents said moderate
D. Eight (8) of the respondents answered low.

**Question 13:** What is the time range of the objectives your firm prefers and pursues with vigour?

A. Sixty eight(68) of the respondents answered long range
B. Ten(10) of the respondents answered medium range
C. Seven (7) of the respondents did not know

**Question 14:** How would you rank the following corporate objectives as they relate to your firm (as shown in table 4.5)?

**Table 4.5 Ranking of the firm's corporate objective**

| Corporate Objective | Respondents 5 | 4 | 3 | 2 | 1 | Score | Total Score (%) |
|---|---|---|---|---|---|---|---|
| A. Maximization of shareholders wealths | 275 | 80 | 30 | - | - | 385 | 23.0 |
| B. Profitable long term growth | 250 | 96 | 33 | - | - | 379 | 22.7 |
| C. Increase Competitive advantage | 200 | 120 | 45 | - | - | 365 | 21.8 |
| D. Community Development & Public relations | - | - | 120 | 50 | 20 | 190 | 11.4 |
| E. Survival | 150 | 152 | 51 | - | - | 353 | 21.1 |
| | | | | | | **1672** | **100** |

From the table 4.5, the most important corporate objective of the respondents firms was the maximization of shareholders wealths with a total score of 385, followed by profitable long term growth with a total score of 379 while community development and public relations with a total score of 190 were regarded as the least important corporate objective.

**Question 17:** Management information system is a planned system developed for regular and recurring information to support managerial decision making. To what extent do you agree or disagree with this statement?

A. Fifty eight (58) of the respondents strongly agreed.

B. Twenty two (22) of the respondents agreed.

C. Five(5) of the respondents indicated neutral on the statement.

**Question 18:** When affected by a harsh operating business environment, what do you feel would be the reaction of your firm in terms of the activities below (as shown in the tables 4.6)?

**Table 4.6a: Ranking of the technology & task related activities of the respondents firms.**

| **Technology & Task related activities** | **Respondents Scores** **5** | **4** | **3** | **2** | **1** | **Total Score** | **Total Score (%)** |
|---|---|---|---|---|---|---|---|
| i. Investment in Information | 225 | 120 | 30 | - | - | 375 | 22.3 |
| ii. Diversification | 210 | 112 | 45 | - | - | 367 | 21.8 |
| iii. Investment in Research & Dev | 200 | 132 | 36 | - | - | 368 | 21.9 |
| iv. Reduction in Production & other activities | - | - | 165 | 50 | 5 | 220 | 13.2 |
| v. Vertical Integration | 150 | 140 | 60 | - | - | 350 | 350 |
| | | | | | | **1680** | **100** |

From the table 4.6a, the most important technology and task related activity during a harsh operating business environment of respondents firms was the investment in information system with a total score of 375 while the least important activity was the reduction in production and other activities with a total score of 220.

**Table 4.6b: Ranking of the people-oriented activities of the respondents firms**

| People Oriented Activities | Respondents Scores | | | | | Total Score | Total Score (%) |
|---|---|---|---|---|---|---|---|
| | 5 | 4 | 3 | 2 | 1 | | |
| i. retrenchment (layoff) | 75 | 100 | 105 | 20 | - | 300 | 19.2 |
| ii. Strong emphasis on training & Development | 250 | 80 | 45 | - | - | 375 | 24.0 |
| iii. Pruning of fringe benefits & incentives | 100 | 120 | 60 | 30 | - | 310 | 19.8 |
| iv. Embargo on new employment | - | 60 | 120 | 40 | 10 | 230 | 14.7 |
| v. Engagement of consultants on contract basis | 150 | 60 | 60 | - | - | 350 | 22.3 |
| | | | | | | **1565** | **100** |

From the table 4.6b, the most important people- oriented activity during a harsh operating business environment of respondents firms was the strong emphasis on training and development with a total score of 375 while the embargo on new employment with a total score of 230 was regarded as the least important people-oriented activity.

## 4.5 HYPOTHESIS TESTING

In this section, the two hypothesis stated in chapter one are tested at 5% level of significance. The spearman rank correlation coefficient was used to test the hypothesis one while chi-square method was used to test the hypothesis two.

**Hypothesis 1:**

**$Ho_1$:** There is no significant relationship between strategic management and the performance of production firms in Nigeria.

In this case, the strategic management was assigned the independent variable, X while the performance of production firms in Nigeria was assigned the dependent variable, y.

Calculation of RX and RY

The ranking of X and Y (Rx and RY) was done by using the Arithmetic Progression formula.

$$S = \frac{n}{2}(2a + (n-1)d)/n$$

a = the first number in each of the ranked category of response

s = sum of $n^{th}$ term in A.P in each of the ranked category of responses

n = Common difference from 1,2,3,… to 85 in each ranked category of response (always equal to 1)

**Table 4.7: Distribution of RX and RY**

| Category of Response | Ranking of the Responses | No of Reponses | | Ranking | |
|---|---|---|---|---|---|
| | | FX | FY | RX | RY |
| VH | 5 | 30 | 35 | 15.5 | 18 |
| H | 4 | 35 | 28 | 48 | 49.5 |
| M | 3 | 14 | 15 | 72.5 | 71 |
| L | 2 | 6 | 7 | 82.5 | 82 |
| VL | 1 | - | - | - | - |
| **Total** | | **85** | **85** | | |

**Table 4.7b: Computation of Test Statistic**

| S/No | FX | RX | FY | FY | d=(RX-RY) | $d^2=(RX-RY)^2$ |
|---|---|---|---|---|---|---|
| 1 | 5 | 15.5 | 5 | 18 | -2.1 | 6.25 |
| 2 | 3 | 72.5 | 3 | 71 | 1.5 | 2.25 |
| 3 | 5 | 15.5 | 4 | 49.5 | -34 | 1156 |
| 4 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 5 | 4 | 48 | 5 | 18 | 30 | 900 |
| 6 | 3 | 72.5 | 2 | 82 | -9.5 | 90.25 |
| 7 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 8 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 9 | 4 | 48 | 4 | 49.5 | -1.5 | 2.25 |
| 10 | 4 | 48 | 5 | 18 | 30 | 900 |
| 11 | 4 | 48 | 3 | 71 | -23 | 529 |
| 12 | 2 | 82.5 | 2 | 82 | 0.5 | 0.25 |
| 13 | 4 | 48 | 4 | 49.5 | -1-5 | 2.25 |
| 14 | 3 | 72.5 | 3 | 71 | 1.5 | 2.25 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 15 | 3 | 72.5 | 3 | 71 | 1.5 | 2.25 |
| 16 | 4 | 48 | 4 | 49.5 | -1.5 | 2.25 |
| 17 | 4 | 48 | 5 | 18 | 30 | 900 |
| 18 | 5 | 15.5 | 4 | 49.5 | -34 | 1156 |
| 19 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 20 | 4 | 48 | 5 | 18 | 30 | 900 |
| 21 | 4 - | 48 | 5 | 18 | 30 | 900 |
| 22 | 2 | 82.5 | 3 | 71 | 11.5 | 132.25 |
| 23 | 4 | 48 | 4 | 49.5 | -1.5 | 2.25 |
| 24 | 5 | 15.5 | 5 | 18 | 12.5 | 6.25 |
| 25 | 3 | 72.5 | 3 | 71 | 1.5 | 2.25 |
| 26 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 27 | 3 | 72.5 | 2 | 82 | -9.5 | 90.25 |
| 28 | 4 | 48 | 5 | 18 | 30 | 900 |
| 29 | 4 | 48 | 5 | 18 | 30 | 900 |
| 30 | 4 | 48 | 4 | 49.5 | -1.5 | 2.25 |
| 31 | 2 | 82.5 | 2 | 82 | 0.5 | 0.25 |
| 32 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 33 | 4 | 48 | 5 | 18 | 30 | 900 |
| 34 | 4 | 48 | 5 | 18 | 30 | 900 |
| 35 | 3 | 72.5 | 3 | 71 | 1.5 | 2.25 |
| 36 | 4 | 48 | 4 | 49.5 | -1.5 | 2.25 |
| 37 | 5 | 15.5 | 4 | 49.5 | -34 | 1156 |
| 38 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 39 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 40 | 4 | 48 | 4 | 49.5 | -1.5 | 2.25 |
| 41 | 3 | 72.5 | 3 | 71 | 1.5 | 2.25 |
| 42 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 43 | 2 | 82.5 | 2 | 82 | 0.5 | 0.25 |
| 44 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 45 | 4 | 48 | 4 | 49.5 | -1.5 | 2.25 |
| 46 | 4 | 48 | 3 | 71 | -23 | 529 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 47 | 4 | 48 | 4 | 49.5 | -1.5 | 2.25 |
| 48 | 3 | 72.5 | 3 | 71 | 1.5 | 2.25 |
| 49 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 50 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 51 | 5 | 15.5 | 4 | 49.5 | -3.4 | 1156 |
| 52 | 4 | 48 | 4 | 49.5 | -1.5 | 2.25 |
| 53 | 4 | 48 | 4 | 49.5 | -1.5 | 2.26 |
| 54 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 55 | 4 | 48 | 4 | 49.5 | -1.5 | 2.25 |
| 56 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 57 | 4 | 48 | 4 | 49.5 | -1.5 | 2.25 |
| 58 | 4 | 48 | 4 | 49.5 | -1.5 | 2.25 |
| 59 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 60 | 4 | 48 | 4 | 49.5 | -1.5 | 2.25 |
| 61 | 3 | 72.5 | 3 | 71 | 1.5 | 2.25 |
| 62 | 3 | 72.5 | 3 | 71 | 1.5 | 2.25 |
| 63 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 64 | 3 | 72.5 | 3 | 71 | 1.5 | 2.25 |
| 65 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 66 | 2 | 82.5 | 2 | 82 | 0.5 | 0.25 |
| 67 | 4 | 48 | 4 | 49.5 | -1.5 | 2.25 |
| 68 | 4 | 48 | 4 | 49.5 | -1.5 | 2.25 |
| 69 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 70 | 3 | 72.5 | 3 | 71 | 1.5 | 2.25 |
| 71 | 4 | 48 | 5 | 18 | 30 | 900 |
| 72 | 4 | 48 | 4 | 49.5 | -1.5 | 2.25 |
| 73 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 74 | 3 | 72.5 | 3 | 71 | 1.5 | 2.25 |
| 75 | 2 | 82.5 | 2 | 82 | 0.5 | 0.25 |
| 76 | 5 | 15.5 | 4 | 49.5 | -34 | 1156 |
| 77 | 4 | 48 | 4 | 49.5 | -1.5 | 2.25 |
| 78 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 79 | 4 | 48 | 4 | 49.5 | -1.5 | 2.25 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 80 | 4 | 48 | 4 | 49.5 | -1.5 | 2.25 |
| 81 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 82 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 83 | 4 | 48 | 4 | 49.5 | -1.5 | 2.25 |
| 84 | 5 | 15.5 | 5 | 18 | -2.5 | 6.25 |
| 85 | 4 | 48 | 4 | 49.5 | -1.5 | 2.25 |
| | | | | | d=O | $d^2$=18518.25 |

From the table 4.7 b

$\sum d^2 = \sum (RX-RY)^2 =$

18518.25

n=85

$$r_s = 1- \frac{6 \sum d^2}{n(n^2-1)}$$

$$= 1- \frac{(6x18518.25)}{85\ (7225-1)} = 1-0.180948309$$

= 0.81905169

$r_s = 0.82$

This indicates that there is a strong positive relationship between strategic management and the performance of production firms in Nigeria.

Z – Test

$$Z = r_s \sqrt{n-1}$$

$$\Rightarrow \quad Z = 0.82\sqrt{85-1} = 0.82\sqrt{84}$$

$$= 0.82\,(9.165) = 7.5153$$

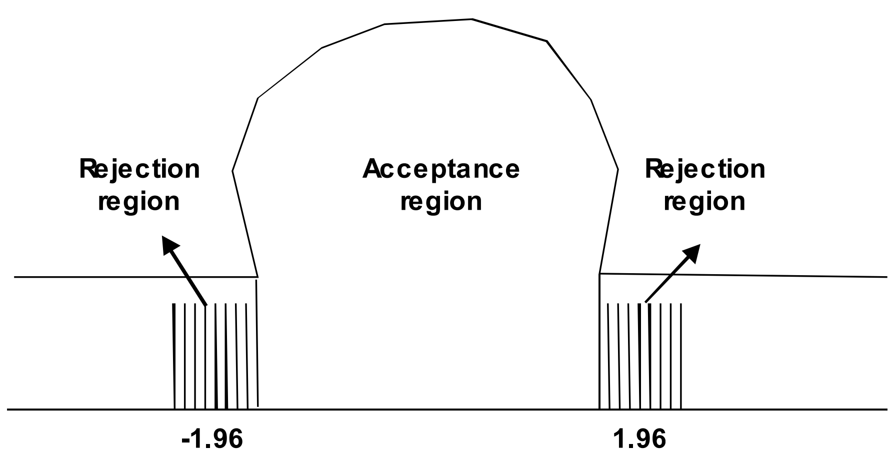
$$Z = 7.52$$

From the Z table at 0.05 level of significance for two tailed (non-directional) test

i.e $\frac{0.05}{2} = 0.025$

We have: 0.5000-0.025 = 0.4750

When 0.4750 is checked in the Z table, we have $-1.96 \leq \mathbf{z} \leq +1.96$ as acceptance region.



**Decision Rule:**

Since the Z computed (7.52) is greater than the table Z ($\pm$ 1.96) and falls outside the acceptance region, we reject the null hypothesis and conclude that there is significant relationship between strategic management and the performance of production firms in Nigeria.

**Hypothesis 2:**

**$Ho_2$:** The success or failure of any production firm in Nigeria does not depend on the attitude or leadership style of the Chief Executive Officer in the realization of corporate goals.

**$H_{A2}$:** The success or failure of any production firm in Nigeria depends on the attitude of leadership style of the Chief Executive Officer in the realization of corporate goals.

From the data obtained from the research question 5, we have:

**Table 4.8a: Observed Frequencies Data**

| Production Firms | Yes | No | Cannot Say | Total |
|---|---|---|---|---|
| Oil | 10 | 14 | 6 | 30 |
| Non oil | 16 | 30 | 9 | 55 |
| **Total** | **26** | **44** | **15** | **85** |

**Calculation of the Expected Frequencies**

To calculate the expected frequencies of the data, we used the below formula.

$$\text{Expected Frequency} = \left[ \frac{\text{ROW TOTAL X COLUMN TOTAL}}{\text{GRAND TOTAL}} \right]$$

**Table 4.8b: Expected frequencies Data**

| Production Firms | Yes | No | Cannot Say | Total |
|---|---|---|---|---|
| Oil | 9 | 16 | 5 | 30 |
| Non oil | 17 | 28 | 10 | 55 |
| **Total** | **26** | **44** | **15** | **85** |

**Table 4.8c: Computation of the chi square**

| O | E | **(O-E)** | **$(O-E)^2$** | **$(O-E)^2/E$** |
|---|---|---|---|---|
| 10 | 9 | 1 | 1 | 0.111 |
| 16 | 17 | -1 | 1 | 0.059 |
| 14 | 16 | -2 | 4 | 0.250 |
| 30 | 28 | 2 | 4 | 0.143 |
| 6 | 5 | 1 | 1 | 0.200 |
| 9 | 10 | -1 | 1 | 0.100 |

$X^2 = (O-E)^2/E = 0.863$

Degree of freedom (DF) = (R-1) (C-1) where R and C are the number of rows and columns respectively.

DF = (2-1) (3-1) = 2

At 0.25 level of significant and DF = 2, we have $X^2 0.05(2) = 5.991$ from the chi-square distribution table.

**Decision**

Since the computed $X^2$ (0.863) is less than the table chi square, we therefore accept the null hypothesis (**$H_{O2}$**) and reject the alternative hypothesis (**$H_{A2}$**).

## 4.6 DISCUSSION OF RESULTS

**Hypothesis 1:**

The results collected and analyzed in hypothesis 1 shows a strong positive relationship between strategic management and the performance of production firms in Nigeria and thus, validate the premise that there is a significant relationship between strategic management and the performance of productive firms in Nigeria. The null hypothesis (**$H_{O1}$**) was also rejected with respect to the Z-test conducted.

**Hypothesis 2**

From the data collected and analyzed in hypothesis 2, we could not reject the null hypothesis (**$H_{O2}$**) stated. This validates the premise that the success or failure of any productive firm in Nigeria does not depend on the attitude or leadership style of the Chief Executive Officer in the realization of corporate goals. The finding of this study could be said to agree with that of Boettinger (1973:3), who carried out similar study and asserted that "leaders will be judged not by tactical nimbleness but by the robustness of their strategic decisions for the organizations they head"

It is therefore necessary to note that the strategic decision taken by Chief Executive Officer of any organization is what makes the difference between success and failure of the organization.

**Other Analysis:**

It was also observed from the results of both questionnaire analysis and research questions that investment in information system, pursuance of corporate objectives (e.g. Maximization of shareholders wealths, profitable long term growth etc), diversification investment in research and development and strong emphasis on employees training and development are paramount for optimum performance of any production firm in Nigeria.

# CHAPTER FIVE

## SUMMARY, CONCLUSION AND RECOMMENDATIONS

### 5.1 SUMMARY

The concept of strategic management and its impacts can be highly appreciated most especially when we remember the present dynamic economic nature of the world where activities of economic actors have been integrated into a global village through the means of quick communication gadget like the computer. The survival or otherwise of most business organizations depend to a large extent on how best such organizations have utilized the strengths and weakness available to them to their advantage.

Furthermore, strategic management can be more effective on organizational performance and growth if it is within the confines of strategic planning and that planning becomes realistic if it is carried out bearing in mind the opportunities and threats available to the planning body.

In the course of this research, we looked at this historical development of strategic management, the nature and structure of Nigerian production firms, organization performance and other known literature that has relevance to the problem being studied in chapter two.

Chapter three highlighted the strategy adopted to accomplish the purpose and objectives of the study.

Finally, we carried out the analysis of the data collected from detailed questionnaire, Research questions and test of the hypotheses in chapter four.

## 5.2 CONCLUSION

From the results of data analysis and hypothesis testing, strategic management had a great impact on the performance of production firms in Nigeria. The stating point of strategic management therefore is the existence of well formulated plan that has the capacity to pro actively alter the status of the business organization in a foreseeable future.

The issue of making appropriate choice of strategy given the goal of any organization involves the analysis of the internal and external conditions. The external environment factors give opportunities to innovate, to change, to meet market demand and to improve employee morale in the working environment within the environment. Through internal analysis, the strength and weakness of the organization and its capacity to exploit the opportunities and overcome those risk is made possible, furthermore, the impact of management information system as a tool at strategic management level on the organizational performance is difficult to isolate amidst many other factors, both internal and external to the firm.

The world has become a global village and anything that happens in a country as far as the United States of America becomes very relevant to the operations of some business in countries like Nigeria. Example is the current world energy arises and its attendant global economic meltdown.

In Nigeria, energy business is influenced by the external environment fashioned out by the federal government of Nigeria through the annual budget. How much our business executives understand the making and the mechanism of the central government's budget operation will go a long way in boosting their organizational performance.

From the information obtained in the course of this research, companies like Nigerian Breweries Plc, Dangote Group Nigeria Plc, Nestle Nigeria Plc, Guinness Nigeria Plc, Mobile Nigeria Plc, Oando Plc are performing well due to strategic priorities of the company focused on delivering shareholders values and profitable long term growth through employee development and training, products and business diversification, acquisition of new technology, plant optimization, cost minimization and market focus strategies.

However, companies like Transnational cooperation, Dunlop Nigeria Plc and Michelin Nigeria Limited are not performing well in Nigeria due to the inability of their top management to foresee possible future actions of their major competitors and harsh external factors. Michelin Nigeria and Dunlop Nigeria Plc had to stop production in Nigeria (although strategic in nature) and went into outsourcing of their production outside Nigeria due to high production cost of their products as a result of epileptic power supply, transportation (freight) cost and other factors.

To this end, the impact of strategic management on organizational performance cannot be over emphasized especially now there is a global economic meltdown for organizational survival.

This study will not only be to immense help to academic research, business practitioners and students interested in the subject but also will awake the consciousness of many Nigerian local, national and international investors and business executors on the exigencies of strategic management through adequate planning for profitable long term growth of investments rather than short term ones which have been the major source of business failures among Nigeria investors and business executors

## 5.3 **RECOMMENDATIONS**

This study will not be completed except when recommendations are made which can improve the performance of production firms in Nigeria. Therefore, the researcher is making the following recommendations.

(1) An effective and efficient management information system should be in place. This should provide the organization with a process through which the information needs of the organization will be ascertained in all levels of management for better strategy implementation since the chief executive officers can not do the job alone

(2) An efficient and effective board member should be constituted to represent the shareholders. The board members will in turn select a dynamic chief executive officer. The board member should be alive to their responsibilities by checking the actions and inactions of the chief executive officer. Any deviation in areas of objectives, policies and cooperate goals should be viewed seriously by the board members.

(3) An effective research and Development Unit should be in place for product innovation, design and quality. This will not only give the company a competitive advantage over other competitors but also a lead in the market share and product demand.

(4) In today's competitive business landscape, human capacity has been found to be factor for cooperate success. Therefore management should invest a lot on staff training and development coupled with a competitive welfare package; this will enable the company maintain a committed and dedicated staff and management with increasing management effectiveness and productivity for the overall good and benefits of the organization.

(5) Management should embark on good backward integration strategies looking inward for the sourcing of local raw-materials. This will reduce (if not eliminate) the overdependence on foreign inputs so as to achieve some cost saving and promote self reliance and self sufficiency in raw materials utilization.

(6) In order to prevent sub standard goods from entering the country, the Standard Organization of Nigeria (SON) through its Conformity Assessment Program (SONCAP) should ensure a proper verification of product compliance with Nigerian Industrial Standards.

(7) An effective performance standard should be established by management. This must be specified in qualitative terms by clearly stating the targets to be accomplished. The performance of the organization must therefore be measured on the basis of such specified performance standard.

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## APPENDIX A

## SAMPLE QUESTIONNAIRE

School of Project Management Technology

Federal University of Technology,

Owerri,

Imo State.

September 2008

Dear Sir/Madam,

**QUESTIONNAIRE ON THE IMPACT OF STRATEGIC MANAGEMENT ON THE PERFORMANCE OF PRODUCTION FIRMS (A STUDY OF SELECTED FIRMS IN LAGOS).**

I am a post graduate student of Project Management Technology (PMT) in the department of Project Management Technology, Federal University of Technology Owerri.

I am carrying out a research on the topic stated above as part of the requirements for the award of a Master of Science (M.Sc) degree in Project Management Technology (P.M.T).

I would be most grateful if you could kindly complete the questionnaire below for me. The questionnaire is strictly for the purpose of the research and your responses will be treated as confidential and use for academic purposes.

Thanks in anticipation

Yours faithfully,

***Onwubuariri Cliton C.***

## QUESTIONNAIRE

You are please required to mark "X" in the box provided where appropriate.

### 1. BIOSTATISTICS

A. Sex (i) Male (ii) Female

B. Age (i) 21-30 years (ii) 31-40 years

(iii) 41-50 years (iv) Above 50 years

C. Marital Status (i) Married (ii) Single

2. In which of the production firm do you work?

(A) Oil Production Firm

(B) Non- Oil Production Firm

3. What is the size of your firm?

(A) Large Scale

(B) Medium Scale

(C) Small Scale

4. What is your position in the firm you work?

(A) Chairman /Chief Executive Officer

(B) Managing Director/Other Directors

(C) General/Factory Manager

5. How long have you worked in your present job?

(A) 1- 2 years ☐ (B) 3 – 4 years ☐

(C) 5 – 6 years ☐ (D) Above 6 years ☐

6. What is your highest educational qualification?

(A) School Certificate/Diploma ☐ (B) First Degree ☐

(C) Masters Degree ☐ (D) Ph.D ☐

(E) Others (Please Specify) ☐

7. How would you rate your understanding of the subject strategic management?

(A) Very High ☐ (B) High ☐

(C) Moderate ☐ (D) Low ☐

(E) Very low ☐

8. Does Your firm evolve strategic management?

(A) Yes ☐

(B) NO ☐

9. If your response to question 8 is yes, at what level is strategic management carried out in your firm?

(A) Top level management ☐

(B) Tactical level management ☐

(C) Operative management ☐

10. Who implements the formulated strategies in your firm?

(A) CEO/Managing Director ☐

(B) General/Factory Manager(s) ☐

(C) Departmental Heads ☐

(D) Special Committee ☐

11. If your response to question 10 above is an individual, who is he/she reporting to?

(A) Managing Director ☐

(B) General Manager ☐

(C) Human Resource Manager ☐

(D) Board of Directors ☐

12. How would you rate the performance of your firm for the last 6 years?

(A) Very High ☐

(B) High ☐

(C) Moderate ☐

(D) Low ☐

(E) Very low ☐

13. How would you rate the impact of strategic management on the performance of your firm?

(A) Very High ☐

(B) High ☐

(C) Moderate ☐

(D) Low ☐

(E) Very low ☐

14. What is the time range of the corporate objectives your firm prefers and pursues with vigour?

(A) Long range ☐

(B) Medium range ☐

(C) Short term ☐

15. How would you rank the following corporate objectives as they relate to your firm? Please encircle the number which represents your highest grading for each of the corporate objectives (Note. 5- very high, 4 – high, 3 – moderate, 2 – low, 1- very low).

(A) Maximization of shareholders wealth 5, 4, 3, 2, 1

(B) Profitable long term growth. 5, 4, 3, 2, 1.

(C) Increase competitive advantage. 5, 4, 3, 2, 1.

(D) Community development & public relations. 5, 4, 3, 2, 1.

(E) Survival. 5, 4, 3, 2, 1.

16. Strategic management gives direction to corporate objectives, corporate culture, corporate goals and corporate missions of production firms in Nigeria. To what extent do you agree or disagree with this statement?

(A) Strongly agree

(B) Agree

(C) Neutral

(D) Disagree

(E) Strongly disagree

17. Management information system (MIS) is a planned system develops for regular and recurring information to support managerial decision making. To what extent do you agree or disagree with this statement?

(A) Strongly agree

(B) Agree

(C) Neutral

(D) Disagree

(E) Strongly disagree

18. How would rate the impact of management information system as a tool used at strategic management level to improve the performance of production firms in Nigeria?

(A) Very High

(B) High

(C) Moderate

(D) Low

(E) Very low

19. Performance appraisal is a function roadmap for tracking the productivity of production firms in Nigeria. To what extent do you agree or disagree with this statement?

(A) Strongly agree ☐

(B) Agree ☐

(C) Neutral ☐

(D) Disagree ☐

(E) Strongly disagree ☐

20. Do you think that the attitude or leadership style of the CEO of your firm determines the realization of the corporate goals of your firms?

(A) Yes ☐

(B) No ☐

(C) Cannot say ☐

21. When affected by a harsh operating business environment, what do you feel would be the reaction of your firm in terms of your firm in terms of activities below? Rank the activities in each case as they relate to your firm and encircle the number which represents your highest grading for each activity (Note 5-very high, 4-high, 3-moderate, 2-low, 1-very low).

A. Technology & Task related activities

I. Investment in information system 5, 4, 3, 2, 1

II. Diversification 5, 4, 3, 2, 1

III. Investment in Research &Dev. 5, 4, 3, 2, 1

IV. Reduction in prod. & other activities 5, 4, 3, 2, 1

V. Vertical Integration 5, 4, 3, 2, 1

B. People-oriented activities

I. Retrenchment (lay off) 5, 4, 3, 2, 1

II. Strong emphasis on training and dev. 5, 4, 3, 2, 1

III. Pruning of fringe benefits and Incentives 5, 4, 3, 2, 1

IV. Embargo on new employment 5, 4, 3, 2, 1

V. Engagement of consultants on contact basis 5, 4, 3, 2, 1