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Strategic Management and Business Success in Nigeria

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Abstract: Business success is highly dependent on competent managerial and strategic leadership. Strategic processes of managing and leading are people oriented and require strategic skills to ensure that there is proper motivation in the work environment so as to achieve increased stakeholders value. In the present global environment the need to cope with competition and other critical environmental challenges of business and management underscores the essence of strategic management and business success. The exploratory research design was employed for the study to assess the effect of strategic management on business success in Nigeria. Data generated were analyzed through the regression statistical technique, and it was found that with 1 percent increase in strategic management business success increases by 7.31 percent.

Keywords: Managerial and strategic leadership; Business success; Global environment; Formal decision-making; Managing across culture.

1. Introduction

To a high degree, business success depends on strategy development as often operationalized by strategic management. Strategic management (SM) encompasses such critical functions as the identification and full description of the relevant strategies needed by management to achieve superior organizational results and to win competitive advantage. An organization is described as successful when it is profitable and has above average competitive advantage in terms of profitability and productivity within its domain of operations. Through strategy development, strategic management provides wider impetus required by the workforce that enables them to have better appreciation of the methods to carry out their duties in accordance with the strategic plans of the organization. SM reinforces the capacity of management to maximize the strategic imperatives of the organization through effective and efficient management of resources. Traditionally, the strategic process is based on strategic environmental analysis, strategy formulation, strategy implementation as well as strategy evaluation. This process seeks to critically appraise the business, industry and the economy in which the organization operates so as to achieve necessary strategic results and success. The essence of strategy development is to cope with competition and other environmental challenges of the business. Accordingly, the basis for developing a management strategy is an understanding of the relative competitive forces, their underlying causes, and the crucial strengths and weaknesses of a business relative to such underlying causes (McNaughton, 1997). Strategy development is often based on the business strategy. According to Hill and Jones (1995) strategy is the determination of the basic 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. These implicitly lead to strategic management. According to Gomez-Mejia and Balkin (2002) strategic management involves the major decisions, business choices, and actions that chart the course of the entire enterprise. It consists of analysis of the internal and external environments of the business, definition of the business mission, and formulation and implementation of strategies to provide a competitive advantage. These efforts and processes often direct the business in a certain way, and require huge resource commitments in terms of financial, human and material. Strategic management is traditionally the responsibility of top management. Hill and Jones (1995) insist that a central objective of strategic management is to find out why some organizations succeed while others fail. They believe that successful businesses are those that have comparative competitive advantage that emerge and explore the implications for the success or failure of individual enterprises. They posit that a company's resources, capabilities, and strategies form the strongest determinant of success or failure. Thus, strategic management is the crucial process that brings together a company's resources, capabilities, and strategies to enable it achieve a low-cost position and build customer loyalty. Business success is frequently a reflection of enterprise profitability, productivity, growth, stability and ability to satisfy stakeholder's interests. Hill and Jones (1995) emphasize that the understanding of the roots of success and failure is not an empty academic exercise, rather such understanding brings a better appreciation of the strategies that can increase the probability of success and also reduce the possibility of failure. Basically, much of these strategies to enhance the chances of business success and reduce the probability of failure are generic, in which case, they apply to all types of organizations, whether large or small, manufacturing or service, and profit-seeking or not-for-profit organizations, such as a local club or church, has to make decisions about how best to generate revenues or surpluses, based on the particular environment in which it operates, and the organization's own strengths and weaknesses. Generally, these strategic management decisions relate to such actions as analyzing the competition, which involves the external and internal environments so as to know how to succeed. Through the application of effective strategic management processes, businesses succeed, and able better to satisfy stakeholders interests (Certo and Peter, 1995; Donaldson and Preston, 1995; Glueck, 1980).

1.1. Statement of the Problem

According to Mintzberg (1978) Planning based definition of strategy assumes that an organization's strategy assumes that every organization strategy is always the outcome of rational planning. He opines that definitions of strategy that stress the role of planning ignore the fact that strategies can emerge from within an organization without any formal plan. He posits that even in the absence of intent, strategies can emerge from the grassroots of an organization. He strongly believes that strategies are often the emergent response to unforeseen circumstances. Mintzberg (1978) point is that strategy is more than what a company intends or plans to do; it is also what it actually does. Based on this point, Mintzberg (1978) defines strategy as a pattern in a stream of decisions or actions; the pattern being a product of what ever intended strategies (Planned) are actually realized and of any emergent (unplanned) strategies. These strong views of Mintzberg (1978) have implication for the criticism against *ivory tower planning*. According to Hill and Jones (1995) a serious mistake made by many businesses in their initial enthusiasm for strategic management or planning has been to treat planning as an exclusively top management function. This *ivory tower* approach, according to them, results in strategic plans formulated in a vacuum by strategic executives who have little understanding or appreciation of operating realities. As consequence, such less than knowledgeable strategic executives formulate strategies that do more harm than good for their businesses. It is believed that the *ivory tower* strategic planning concept can also lead to tensions between the planners and the operating executives, because they may feel that the corporate executives do not deem them capable enough to think through strategic problems for themselves. This versus them state of mind, which often escalate into hostility, may again undermine business success. Hill and Jones (1995) insist that correcting the problem of the *ivory tower* approach to strategic planning involves recognition that, to succeed, strategic planning must comprise managers at all levels of the business. They suggest that it is very important to understand that a great deal of the best strategic plans can and should be done by operating executives. This is so because they are the ones closest to the facts. The major role of the cooperate level strategic executives should be that of facilitators, who help the operating executives in the strategic management planning process (Janiazewsky, 1996a;1996b; Mcleod, 1997; O'Connor, 1999).

1.2. Objective of the Study

The study was designed to explore the effect of strategic management on business success in Nigeria.

1.3. Scope of the Study

The study was delimited to the South-East geopolitical zone of Nigeria, composed of 5 states out of the 36 states in Nigeria. It is believed that the result of the study based in the zone will be a correct representative of the result from Nigeria.

1.4. Significance of the Study

The study will help students in the areas of management and social science, researchers, academics and many significant others to have an insight over the important relationship of strategic management and business success in Nigeria.

1.5. Limitation of the Study

The study was constrained by lack of research grant and current literature in the areas of investigation. However, these constraints did not dilute the academic potency of the study.

1.6. Hypothesis

To guide the course of the study, two hypotheses were formulated and tested at 0.05 level of significance.

H_1: There is no effect between SM and business success in society.

H_2: There is an effect between SM and business success in society.

2. Literature Review

Management scholars state that management is the generality of tasks involved in making an organic whole out of diverse resources: enmity men, money, machines, materials, technology, and systems, and channeling them effectively towards the achievement of the business or organization's goals in the most efficient manner and within the expected time, while respecting the laws and ethical standards of the society and being conscious of the rapidly changing business environmenst. Muo (1999) and Drucker (1998) who refers to management as the economic organ of the industrial society, insists that the key management task is economic performance which is the sole justification for its existence and authority. He posits that any management should be considered a failure, unless it produces economic results, goods and services desired by customers at prices they are willing to pay; and also improves, or at least maintains the wealth producing capacity of the resources at its care. While the principles of leading, planning, organizing, and controlling are the foundation of successful management, strategic management involves the skills to formulate and implement these principles within the organization. A good understanding of how to effectively manage people is also crucial to successful strategic management because employees, teams, and employee empowerment are all essential part of contemporary business environment. According to Gomez-Mejia and Balkin (2002) analyzing the external and internal business environments helps in the designing of the strategic mission, the formulation of business strategies and the implementation of such strategies. The strategic outcomes of implementations testify to the success or failure of the strategic management process (Schoemaker, 1995; Westley and Mintzberg, 1989).

2.1. Concept of Strategic Description

Consequent upon analysis of the external and internal environments, the business then formally describes its strategic intent and mission. According to Gomez-Mejia and Balkin (2002) strategic intent is internally focused, indicating how the enterprise intends to use its resources, capabilities and core competencies to win competitive advantage. This also guides its future actions and focuses employees' attention on using their talents to win over competitors in the industry. On the other hand, a company's strategic mission flows from its strategic intent, defining its external focus in terms of what the enterprise plans to produce and markets, utilizing its internally based core competencies. Achieving these goals requires strategic leadership.

2.2. Strategic Leadership

Gomez-Mejia and Balkin (2002) state that effective strategic managerial leadership plays a fundamental role in the relative success or failure of a business. This is particularly true for top corporate strategic executives who are usually responsible for charting general formulation and implementation plans, making key resource allocation decisions, and delegating day-to-day operations. It is generally thought that effective strategic leaders meaningfully influence the behaviours, thoughts, and feelings of those with whom they work. Hill and Jones (1995) note that one of the key strategic roles of managers, whether they are general or functional managers, is to provide strategic leadership for their subordinates. In this context, strategic leadership refers to the ability to articulate a strategic vision for the company and to motivate others to follow that vision. A few characteristics of strategic managerial leader's would include, but never limited to vision, eloquence and consistency, commitment, being well informed and knowledgeable, a willingness to delegate authority and empower subordinates, and astuteness in organizational politics. Eloquence is needed for effective overall communication, leaders should be well informed to have good information base and not to operate in vacuum. They must be willing to delegate in order not to be overloaded with routine responsibilities. Top strategic executives need political astuteness so as to play organizational power game with skill, so as to build consensus for their ideas rather than using their authority to force their ideas through the organization. To protect stakeholder's interests' strategic managerial leaders should demonstrate commitment to the vision of the organization. This may be demonstrated through relentlessly focusing on cost minimization that must start with the leaders as role models (Finkelstein and Hembrick, 1996).

2.3. Formulation of Strategy

Formulation of strategy refers to the design of a specific approach to achieve organizational mission. A well and effectively formulated strategy incorporates, integrates, marshals, and allocates the company's internal resources, and makes appropriate use of external environmental information. At this level, the intention is to foster a mission – consistent and relevant strategy that will pave the way for sustained superior performance. Gomez-Mejia and Balkin (2002) reveal that strategy formulation basically takes place at the corporate and business-unit levels, and that poor strategy formulation can result in costly business failures. They hypothesize that corporate-level strategy encompasses the number of businesses the organization holds, the variety of markets or industries it serves, and the distribution of resources among them. Business-level strategy is related to the process on how the company will compete in each business area or market segment. This may involve the provision of products and services that are less expensive than those of competitors, and this is also referred to as cost – leadership strategy (Petrick *et al.*, 1999; Pfeffer, 1994; Quinn, 1980).

2.4. Implementation of Strategy

Strategy implementation leads to value addition to the strategic management process. Gomez-Mejia and Balkin (2002) think that even the best conceived strategies are of little or no value if they are not implemented effectively. They elucidate further that in theory, the formulated strategy should guide the implementation, and in reality strategy formulation and implementation are two sides of the same coin. It is believed that a strategy may not be feasible or may be too risky if the organization does not have the resources or the technical know-how to put it into practice. To implement formulated strategies, successful enterprises need to consider organizational structure and controls, cooperative strategies, functional strategies, strategic leadership, and corporate entrepreneurship and innovation. Among these elements, strategic leadership or strategic managerial leadership holds the touch for effective and efficient strategy implementation (Preble, 1992).

2.5. Strategic Results

The bottom line of the strategic management process is an analysis of the strategic outcomes or the result of the entire process. A successful strategic outcome is desirable to satisfy the expectation of the stakeholders in the business. Stakeholders are the individuals and institutions who have a vested interest in the performance, success or failure of the organization. In a typical business thought, the main stakeholders are the people who own stock and shares in the company and who are the major suppliers of the enterprise capital. These stakeholders expect to earn at least an average return on their investment, even though they would want it to be maximized. Also, employees would like a greater share of the company's profits. The community would like the company to invest in projects of social interest, and politicians and pressure groups may take advantage of popular support for special projects. The underlying essence of strategic management is to endeavour and ensure that the business is conducted successfully to the extent of growth, profitability, productivity, sustainability, and the ability to satisfy the expectations of the significant stakeholders (Gomez, 1998).

3. Methodology

3.1. Research Design

The exploratory research design was used for the study. This method is historical in nature and it rarely involves the employment of large samples or use of structured questionnaire (Miles and Huberman, 1994).

3.2. Source of Data

Data were generated from primary and secondary sources such as interviews, books, journals, newspapers, periodicals, etc.

3.3. Method of Data Collection

Data were collected by the investigator with the help of two research assistants. Data collected were verified, journalized, organized and coded, and found useful for analysis.

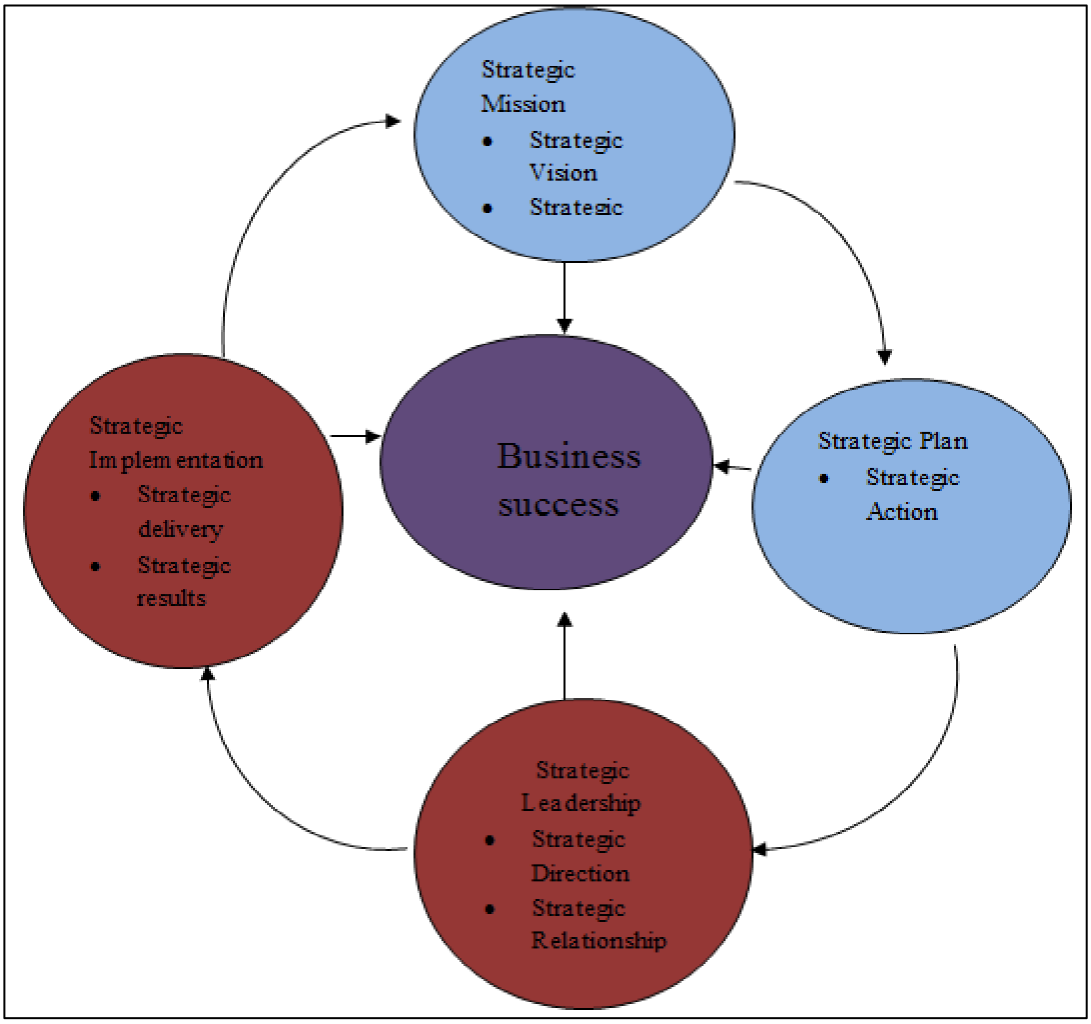
3.4. Methods of Data Analysis

Data were analyzed through regression statistical methods using the Statistical Package for the Social Sciences (SPSS) and the results presented in tables. The regression equation used was: $Y = a + bx$

Where Y = Strategic Management (SM)
X = Business Success (BS)
a = A constant term
b = The regression slope coefficient

4. Presentation of Data

Chart-1. A Model of Strategic Management and Business Success.



Source: Ugoani (2016)

The psychometric model in chart 1 was used to demonstrate the pattern and efficacy of SM on BS. A Model represents reality, and this supports the statistical result that SM explains BS.

Table-1. Model Summary[b]

MODEL	R	R SQUARE	ADJUSTED R. SQUARE	STD. ERROR OF THE ESTIMATE
1	.548a	.301	.259	11.47814

a. Predictors: (Constant), Strategic Management
b. Dependent Variable Business Success

Table-2. Anova[b]

MODEL	SUM OF SQUARES	DF	MEAN SQUARE	f	SIG.
3. Regression	962.480	1	962.480	7.305	0.15[b]
Residual	2239.711	17	131.748		
Total	3202.192	18			

a. Predictors: (Constant), Strategic Management
b. Dependent Variable Business Success

Table-3. Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sign.
	B	Std. Error	Beta		
3. (Constant)	7.633	2.633		2.932	.009
SM Factor Score	7.312	2.705	.548	2.703	.015

c. Dependent Variable Business Success

4.1. Interpretation

In table 1, R2 = 0.301, from the discussion above, this value was adequate.

Table 2, the regression was significant. In other words, strategic management explains business success.

Table 3, the regression coefficients was shown here.

$$Y – 7.721 + 7.312X$$

All the coefficient were significant at 5% level. The value of b = 7.312 meant that if strategic management increased by 1% , then business success will increase by, 7.31%. So, we reject H1 and concluded that strategic management has positive effect on business success.

4.2. Discussion

From the interpretation of the results of the study it was found that if strategic management increased by 1 percent, business success will increase by about 7.31 percent. This technically means that strategic management has strong positive relationship with business success. This supports the findings of earlier researchers like Hill and Jones (1995) that strategic management is essential for the satisfaction of stakeholders’ interests. Business success is a reflection of the growth, stability, productivity and profitability of the business enterprise. Business success is highly dependent on competent managerial and strategic leadership in organizations. The twin processes of managing and leading successfully is a people oriented exercise, and the level of success achieved in the process has a correlation with the level of motivation of the workforce. Not all managers are leaders, and not all leaders are managers, but the two processes are complementary to each other. Strategic management is the engine that reinforces effective managerial leadership so as to satisfy stakeholder’s interests among other things. Effective managerial leadership encompasses: managing self, managing communication, managing diversity, managing ethics, managing across cultures, managing teams, and managing change. Self-knowledge and self- management lie at the heart of effective strategic management. Effective business communication is important to see that the strategic intents, vision and mission of the organization are clearly spread and understood by those who would need and use them. It also reinforces commitment critical for profitable performance. Stakeholders who have put their investment in the business usually want benefit for their investment. Employees want higher pay and benefit, others like stockholders want higher dividends and customers want better services. Even the government and community want contributions in terms of corporate social responsibility (CSR). Suppliers want dependable off-takers and the governments equally want compliance with rules, regulations and laws that promote healthy competition and economic growth. Fair competition and cordial labour-management relationship are among the planks of strategic management that enhance business success. Strategic managerial leadership builds on the traditional functions of management to bring about business success. Management is about coping with tasks. Good management brings about order and consistency by drawing up formal plans, designing sound organizational structures, providing good leadership and monitoring results against plans. This leadership aspect of management betrays the reality that management and leadership are interrelated concepts that bring about business success. While leaders exercise influence in a more informal and unstructured manner, managers occupy formal decision-making positions in the organization. This may be exemplified by the roles played by union leaders and managers in managing organizations. In such cases, union leaders influence the behavior of employees, and by implication, performance, without any formal authority by management for it to do so, while on the other hand, the manager has the formal authority of the management to enforce discipline, order and ensure the success of the business. Management jobs can provide the opportunity for leadership, and managers are more likely to be effective by combining formal authority to make decisions and allocate resources with the ability to motivate subordinates. Motivating subordinates depends on good leadership, and the goal of organization leadership is to get things done through, and with other people, making it one of the main activities that can enhance business success. At times when the interests of stakeholders conflict with those of other shareholders, strategic management, through strategic leadership helps to produce strategic outcomes that ensure a win-win position for both stakeholders and other shareholders, thus placing the business on the path of stability, growth and success.

4.3. Recommendations

i) Management should accord business communication high priority to ensure that its intensions are promptly dispersed, understood and correctly implemented, for business success.

ii) Encouraging informal leadership is healthy for effective strategic management. The inputs and outcomes from such a process help in building strategic alliance that may help in placing the business on the path of success.

iii) Top management need to carry other levels of management along during policy formulation so as to achieve easy implementation for the success of the organization.

iv) Compliance with rules, regulations, laws, and business ethics is important for business success. This is true because customers and other off-takers want to deal always with a credible entity.

v) Stakeholders and other shareholders influence on business need to be strategically managed to ensure overzealous interference that may jeopardize the success of the business. In some cases, like what happened in the Nigerian banking industry in the 1990s, bank promoters and other top shareholders succeeded in killing the banks they were expected to drive to profitability and success through undue interference and manipulation of accounts.

4.4. Scope for Further Studies

Further study may examine the relationship between managerial leadership and enterprise success. This may help in finding a solution to the lingering culture of enterprise failures in Nigeria.

5. Conclusion

Strategic management is critical to successful leadership and strategy implementation. These lead to strategic outcomes that seek to satisfy the aspiration of stakeholders and other shareholders. Business success is frequently measured by the ability of the business to meet these targets in terms of pay, dividends payments, productivity and profitability as well as being able to discharge corporate social responsibilities in society. The study was designed to explore the effect of strategic management on business success in Nigeria and it was found that a 1 percent improvement in strategic management meant a 7.31 percent increase in business success. This is the crux of the study. The result supports the earlier researchers like Hill and Jones (1995). Pearce and Robinson (2003) among others that strategic management leads to profitability and business success.

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