Archival Review of the Influence of Organizational Strategy on Organizational Performance

Abimbola Adegbuyi, Adunola Oke, Roland Worlu
Department of Business Management,
Covenant University,
KM 10 Canaan Land,
Ota, Nigeria

Musibau Akintunde Ajagbe
Centre for Entrepreneurship Studies,
Department of Business Management,
Covenant University,
KM 10 Canaan Land,
Ota, Nigeria
akintunde.ajagbe@cu.edu.ng,
ajagbeum@yahoo.com

Abstract—Improving on performance is of greater interest to all organization leaders in today’s business environment. Researches relating to large, small and medium sized firms constantly stress a positive link between business strategies, management activities and organizational performance. Because it is often detailed that best business strategies produce outstanding organizational performance. This study used secondary method of data collection to review various empirical literatures on business strategies and their effects on organizational performance. The study was able to ascertain from various literature reviewed that business strategies such as (customer orientation, employee autonomy, communication, training and development job satisfaction, corporate social responsibility, motivational factors) have major role to play in organizational performance. Recognizing the causes of organizational performance is important especially in the perspective of the current global crises because it helps an organization to identify those factors that should be given priority attention in order to improve the organizational performance. Hence, this study recommends that business organizations should adopt appropriate strategies that would enhance adequate organizational performance.

Keywords: Organizational Strategy, Organizational Performance, Strategy Implementation, Employee Motivation

I. INTRODUCTION

There are ample evidence that increased organization performance is attained by business organizations as they continue to find proper avenues of achieving competitive edge and endeavour to achieve competence in every valuable area of their businesses. However, as believed by some authors, organizational activities involve methods, processes, widely embraced strategies and structures carried out by organizations in order to achieve their laid down goals [1, 2, 3]. They go further to say that practices of business activities in an organization is made up of the way through which they can convert values into processes for achieving organizational goals and objectives. Performance was termed as “an act of performing; of carrying something successfully; using acquired knowledge as distinguishingly which is different from just possessing it”. Aamodt [4] discovered a positive relationship between good organizational practices and high organizational performance. In addition, it was reported that same outcomes link organizational strategies, management operations and organizational performance. Mandal et al. [5] maintained that the most suitable organizational activities yield high organizational outcomes. The acceptance of such practices based on the application of quality control ideology and instruments by management of an organization will result to a progressive enhancement in business performance [6, 7].

The world around us is constantly changing, thus, change must be studied by every organization and the various ways in which it presents itself to successfully handle and be able to move ahead of it [8]. The levity of handling businesses in the past will no longer be applicable to the future. The events of globalization and the development of new areas of economic and consumer activities will lead organizations to seize different opportunities globally and still be able to meet local requirements [9, 10]. However, this study shall be arranged in the following manner. The first section discusses the definition of organization, followed by that of strategy, importance of strategy and strategy formulation. It will also contain brief discuss on the motivational theories, meaning of organizational performance, importance of strategy to organizational performance and finally conclusion and recommendation of the study shall wrap up the article. Figure 1 below is the conceptual research framework, which shows the relationship among the variables.

![Fig. 1. Conceptual Research Framework](image-url)
II. LITERATURE REVIEW

A. Meaning of Organization

This term can be viewed as whenever any group of people gather together for a common purpose. However, a family can also be regarded as an organization, as are society, school systems, charitable foundations and, of course, commercial entities [11, 12, 13]. The aforementioned organizations, of whatever shape, size, form, industrial or social, have to carry out four functions if they are to achieve a common goal [14]. These functions, in no priority order, are: fitting in with others not in the organization, i.e. following society’s conventions, laws, satisfying external stakeholders, managing the environment, getting resources, trading outputs, doing practical tasks to accomplish their goal, and keeping those in the organization motivated and interacting effectively.

Dezember et al. [15] developed three potentially successful generic strategies for creating a defensible position and outperforming competitors in an organization. Pryor et al. [16] explained that the first strategy, which is overall cost leadership, although not neglecting quality, service, and other areas, emphasizes low cost relative to competitors. The second strategy, differentiation, requires that the firm creates something, either a product or a service, that is recognized industry wide as being unique, thus permitting the firm to command higher than average prices. The third is a focus strategy, in which the firm concentrates on a particular group of customers, geographic markets, or product line segments. These three generic strategies represent three broad types of strategies and thus the choice of strategy "can be viewed as the choice of which the organization compete in" [17]. Firms oriented towards specific strategies should outperform firms characterized by Porter as "stuck in the middle." Porter maintains that this latter class of firms, by failing to develop its strategy along at least one of these, is almost guaranteeing low performance and profitability.

B. Strategy Defined

Bartol & Martin [18] defined strategy as large scale action plans for interacting with the environment in order to achieve long-term goals. Also Bateman & Zeithamlal [19] posit that strategy is a pattern of actions and resource allocations designed to achieve the goals of the organization. Kavale [20] view strategy as the determination of long-term goals and objectives, the adoption of courses of action and associated allocation of resources required to achieve goals. Strategy is the direction and scope of an organization over the long-term which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stake holder's expectations.

Akale [21] opine that strategy is a set of decision-making attributes in an organization geared towards achieving predetermined objectives. Thompson et al. [13] perceives it as a game plan which management of an organization adopts to stake out market position, attract competent employees and please customers, compete successfully, conduct operations and achieve organizational goals. Overall, the terminology can be viewed as an avenue by which mapped out goals of an individual or organization is achieved [22, 23].

C. Importance of Strategy

Cole [24] mentioned that strategy is an indispensable tool for organization’s success, as it helps firms to be more proactive than reactive in molding its own future. In addition, it allows an organization to initiate and effect activities so that it can exert control over its own destiny. Some of the functions of strategy are stated below:

- It generates greater commitment to achieve objectives, to implement strategies and to work hard.
- Strategy well implemented aid improvement in sales, profitability and productivity.
- It can improve understanding of competitors strategies. A good SWOT can help us to understand the difference with our competitors, including the awareness of threats.
- It helps to reduce resistance to change.
- It helps to objectively define management problems.

D. Types of strategy

Wheelen & Hunger [25] recognized corporate, business and functional strategies as essentials to an organization success. Boyne et al. [26] adds that corporate strategy involves the overall firm. The authors elaborated further that it is the strategic decision taken at the top management level. The first major assignment is to carry out an environmental scanning by studying the business environment to ascertain the strengths and weaknesses. This would be compared with the firm's mission, the segment of the market the organization belongs to and the consolidation of their business activities. According to Connelly et al. [27], the accomplishment of these gives answers to the questions: corporate strategy must answer such as: what are the corporate performance objectives? How should the firm's resources be distributed to meet up corporate, business and functional needs? Should the policy of selection, promotion and motivation of employee change? Aamodt [4] posit that business strategy focuses on where an organization has competitive advantage, which is where to compete and how, in order to outrun their competitors. Management should carry out the business operations in alignment with overall corporate strategy. The methodology for building a business strategy includes developing the mission of the business, carrying out another environmental scanning and scrutinizing the key activities of the value chain. The results direct the business strategy, programs and budget of an organization.

Armstrong [22] argued that the functional level of strategy includes strategies of various functional units such as finance, HR, IT and marketing etc. to carry out the objectives and mission set at the corporate and business strategy levels. This is realized by developing action plans and setting budgets. With regards to the strategic planning process, it is not a top-
down or bottom-up flow of ideas. It is a consolidation of objectives from managers at the corporate level combined with a flow of cooperation of program and budget alternatives from the business and functional levels. If all these are sincerely carried out, the strategic planning process encourages broad participation at all levels, a wealth of ideas and creativity, consensus and clarity in moving forward. Everyone is aware of what to do, when to do it and why he or she is doing it.

E. Strategy Formulation

Boye et al. [26] enumerated the two major processes through which strategy comes to be formulated in most business organizations. The first is a conscious and analytical process, which involves assessing market structure, competitive strengths and weaknesses, the nature of customer needs, and the drivers of market growth. Strategy here is normally formulated with a discrete beginning and end. Fredriksson [27] believes that this process is an intended or deliberate method of strategy formulation. The researcher believes that this strategy is a type that can be implemented as they have been proposed when three conditions are met; firstly, employees must understand each cogent details in management’s intention while formulating the strategy. Secondly, the strategy needs to make as much sense to each of the members in the organization as they view the world from their own perspective, as it does to top management. Finally, the collective intentions must be realized with little unanticipated influence from outside, that is, political, technological or market forces. Since it is difficult to find a situation where all three of these conditions apply, it is rare that an intended strategy can be implemented without significant alteration.

Ihunda [28] opine that the second strategy-making process has been termed emergent strategy. It is the cumulative effect of day-to-day prioritization decisions made by middle managers, engineers, salespeople and financial staff, decisions that are made “despite, or in the absence of, intentions.” In fact, managers typically do not frame these decisions as strategic at all, at the time they are being made.

F. Strategy Implementation

Long et al. [7] argued that after the exciting and creative process of formulating the new strategy for the organization, management often feels frightened and lost when it comes to the implementation of their strategies. They wonder how they can move from great plans for a successful future to actions that will actually enhance organizational performance that creates successes for the organization. Kotze et al. [30] put forward that there is a difference between having a strategy in mind and actually executing this strategy. They added that a lot of strategies never make it into the real business operations.

Pushpamkari & Wijewickrama [31] found that a firm’s performance is strongly influenced by how well a firm’s strategy is matched with its organizational structure and the behaviour of its employees. They saw many organizations adopted structures and encouraged behaviors that reinforce their market strategy and concluded that firms that match structure and behaviour to strategy fare better than those that do not. This shows the connection of strategy, structure and behaviour. Govindarajan [32] has the same opinion, he said, “matching organizational structure and behaviour with strategy is associated with superior performance”. However, how organizational structure and behaviour matched with strategy to enhance organizational performance is briefly discussed here.

Structure: Ibrahim et al. [33] defines organizational structure as the way jobs are divided, where decisions are made and how work roles are coordinated. The role of organization structure is to facilitate the performance of firms through the implementation of strategy. Boyne et al. [26] stated that for an organization to manage its strategies well in practice a good structure is necessary. Lewis et al. [34], viewed the structure of an organization as an authority and responsibility for result achievement. The structure of an organization takes the shape of a pyramid.

Behaviour: This entails everything that has to do with the individual persons of an organization, which is the reactions of the employees as well as the managers at each level to situations in an organization [35]. The individuals should act in line with the strategy of that organization. Rahman & Sohal [36] believed there is a need to develop high level of commitment by the members of an organization to key strategic decisions. Crittenden & Crittenden [8] highlighted that people are motivated more by their perceived self-interest than by the organizational interest unless these are congruent. Guth & MacMillan [35] studied the motivation of middle management to implement certain strategy. They found that if middle managers believe that their self -interest is being compromised they are likely to redirect, delay or totally sabotage the implementation. Lewis [37] believe organizations can increase commitment with involvement and integration of employees from lower levels. The involvement will create a kind of ownership, which enormously raises commitment hence resulting to high organizational performance.

III. THEORETICAL BASIS

The premise behind this section is that different theoretical bases emphasize different issues regarding strategy and performance. Guth & MacMillan [35], identifies that motivational factors serves as bridge between organizational strategy and organizational performance. Employee motivation propels high performance.

A. Motivational Theories

1) Maslow’s Theory of Hierarchy of Needs

Maslow’s hierarchy of human needs theory is one of the motivational theories propounded by Abraham Maslow in 1943, a psychologist by profession [17]. The theory emphasizes on the factors within persons that starts, propels,
energizes, direct, maintain and stop behaviour. It can spur or dampen human behaviour in the sense that if it is positive it can cause satisfaction and if negative, it can influence dissatisfaction and cause one to react either positively or negatively. Ndu et al. [38] reported that motivation is seen as a difficult, socially learned pattern of behaviour which is made up of situations, needs, desires, mechanisms and outcomes. It encompasses all aspects of an employee’s development to attain personal as well as organizational objectives. Ejigou [39] emphasized that motivation involves the process of inducing or encouraging a person to take action that will achieve set goals. In essence, employees’ motivation is a strategy of empowering them in carrying out their assigned tasks; it is used by management to provide a conducive work environment in order to satisfy the various needs of the employees. Ihunda [29] believed that worker’s motivation has a positive relationship with purposeful and goal-directed action, performance and positive approaches towards work. Shin [40] mentioned that it involves examining such factors as the physiological, psychological and environmental needs of individual employees. It also results into job satisfaction which one derives from his work and the work environment.

2) Herzberg Hygiene Theory

Ejigou [39] opine that Herzberg motivational-hygiene theory resulted from the outcome of a study carried out into the causes of job satisfaction and dissatisfaction of engineers and accountants in America. He found that there is qualitative differences between the variables that are connected to a person’s job satisfaction and those associated with job dissatisfaction. However, Mandal et al. [5] confirmed that some factors known as dissatisfiers negatively affect workers efficiency, productivity and performance in organizations; but the satisfier’s impact motivation and job satisfaction. These factors are: workers achievement, promotion (advancement) responsibility, the work itself, possibility of personal growth while factors such as workers salary, status, job security, working condition, company policy and administration, supervision, interpersonal relationships with superiors, subordinates and peers. Should the aforementioned variables be negatively applied may cause dissatisfaction in workers and negatively affect their productivity and performance.

B. Organizational Implications of the Motivational Theories

Shin [40] argued that the theories of motivation have important impact on company success. Some of the mentioned success factors used to measure firm performance are; that satisfaction of the motivational factors enhances high productivity resulting to increased performance and quality assurance of the firm. The theories are very essential to business managers for coordinating and controlling operations. In view of this, Ejigou [39] opined that “employees’ motivation is responsible for control and coordination of activities in a given organization”. The author mentioned that staff training and development is one of the most essential factors for efficient and effective administration in an organization. This factor helps the employees to achieve better their assigned task. Obi [41] agreed that another significant variable is that construct of motivation also influence staff’s degree of participation in decision making, innovative and creative contributions, and high levels of dedication to duty.

IV. ORGANIZATIONAL PERFORMANCE

Boyne et al. [26] reported that data on organizational performance is very vital to business managers. Such information will guide them to discover whether such firm is growing. They argued further that organizational performance is influenced by the reliability, competence and cooperation of other functional departments. Shin et al. [40] argued that even though financial performance has been universally adopted to determine firm performance, some authors have used operational performance yardstick to determine firm’s success [9, 17, 20].

Organizational performance is a strategic and an all embracing technique to deliver consistent performance to organizations by improving upon the performance of staffs through team spirit and individual contributions [23]. This entails managing the organization in such a way that everyone is encouraged to improve commitments to duties, employee development, stakeholders’ satisfaction and finally communication and involvement [22, 34].

Lewis [37] believes that its focus is on future outcome planning instead of a retrospective performance evaluation. He opined that this approach allow for frequent communication between managers and subordinates on performance and development requirement. Organizational performance lies on re-assessment to make decisions on related pay, as well as individual/team development plans. Organizational performance is a chain that links organizational vision, missions, values and strategic goals to divisional, departmental and individual goals, objectives and tasks together [37, 1, 22].

A. Corporate Social Responsibility and Performance

Ihunda [29] defined social responsibility as the duty of a business enterprise to ensure that it does not disrupt the life of the community in which it operates. The author further stressed that social responsibility is a show of interest for the well-being of the people in a society, which stops business from engaging in destructive activities. However, whatever their immediate profitability and their fears are on positive contributions to the betterment of society. Kotze & Rooielt [30] argued that the belief that the most important function of a business concern is profit maximization only is unjustifiable as it is socially detrimental. They also pointed out that making reasonable profit while contributing to the well-being of the society in which they carry out their business activities is essential to shoring up the company image.

B. Job Satisfaction and Organizational Performance

Kotze & Rooielt [30] reported strong positive relationships have been observed between organizational commitment and desirable work outcomes such as performance, adaptability and job satisfaction. Research results indicate that satisfied
employees tend to be committed to an organization, and employees who are satisfied and committed are more likely to attend work, stay with an organization, arrive at work on time, perform well and engage in behaviours helpful to the organization [4, 10]. According to Kotze & Roodt [30], a strong correlation has been empirically established between job satisfaction, employee commitment and retention. Organizational performance is most probably affected by factors such as type and variety of work, the autonomy involved in the job, the level of responsibility associated with the job, the quality of the social relationship at work, rewards and remuneration, and the opportunities for promotion and career advancement in the company [42].

C. Training and Development vs Organizational Performance

Training, according to Armstrong [22] is the use of organized and planned instruction actions to promote learning. It makes use of formal processes to infuse knowledge and help people get the required skills to perform their jobs satisfactorily. The attention of training is drawn to practical skills which is concerned with the application and implementation of methods and processes. In essence, training is investing in people to enable employee carry out their assigned responsibilities effectively and efficiently; empower them to put into the best use of their natural endowments. Training and development subsystem within the many activities of personnel functions. People are the most dynamic of all resources of any organization; consequently, substantial attention must be given to human development capabilities in the organization. Development on the other hand denotes a broader view of knowledge and skills acquisition than training, it is more career-oriented; it is concerned more with developing employee potential rather than his immediate skill; it sees employees as a dynamic resource who are adaptable to situations [24, 43].

D. Communication and Organizational Performance

O’Gorman [44] noted that, “although an organization is devoted to the study of organizational strategy, including strategy implementation; much attention has not been given to the chains between communication, strategy and performance.” The author also noted that researchers of communication have become more interested in the contribution of corporate communication to a company’s ability to fashion and pass across its strategy to all strata of employee in the last decade. Oyedele & Fadipe [45] found that organizations where employees can easily access management via open and supportive communication environment outperform those with more restraining communication environments. Also the findings of Rhodes [46] show that effective and efficient communication is a key prerequisite for outstanding strategy implementation. Organizational communication plays a pivotal role in training, knowledge dissemination and learning during the implementation process of strategy.

E. Employee Autonomy and Organizational Performance

Autonomy refers to the independent actions of an individual or a team in bringing forth an idea or a vision and carrying it through to completion [23, 22, 4]. To encourage autonomy, business uses both ‘top-down’ and ‘bottom-up’ approaches. The top-down approach includes aspects such as management support for programmes, giving incentives that will encourage an atmosphere that fosters independent decision-making [17, 47]. However, such business policy features are cogent to organizational success. For Frederickson [28], fostering employee autonomy in an organization from the bottom up requires putting in place special incentives and structural adjustment designed to encourage and build support for employees’ initiatives and creativity.

F. Customer Orientation and Organizational Performance

Slater & Olsson [48] initially defined customer orientation as the clear understanding of an organization’s target market in order to be able to repeatedly develop higher value for them. Raynor & Ahmed [49] view customer orientation as a set of task-oriented behaviors, which helps in identifying the needs and wants of the target market, delivering products and services that will satisfy these needs and wants are key to attaining organizational goals of achieving high performance. Thompson et al. [13] found that customer orientation is also made up of behaviors intended at fostering a personal relationship with the customer that is getting to know the customer personally. It is not surprising that the essence of a customer orientation within the corporate world is gaining grounds, especially today’s globalized environment where there is increasing competition in addition to the pressure of rapidly changing customers’ tastes [50, 8].

V. IMPORTANCE OF STRATEGY TO ORGANIZATIONAL PERFORMANCE

No matter how super a strategy is, it has to be well implemented to achieve the desired results [42, 1]. In addition, effective implementation of strategy is very important to organization’s ability to achieve and maintain competitive advantage over other organizations [10, 12, 2]. Several studies have concluded that there is a positive relationship between strategy and corporate performance [17, 22, 12, 11, 51]. They also put forward that without a clearly defined strategy, a business will have no sustainable basis for creating and maintaining a competitive advantage in the industry where it operates. They are also of the opinion that effective strategy planning and implementation has positive contribution to the over-all performance of organizations. When the strategies have been disseminated to the operational level for delivery by the organization’s workforce where their execution is critical, they are seamlessly flown and aligned into high performance. Hence, Bateman & Zeithaml [19] argued that effective performance should begin with a clear understanding of the organization’s strategic process.
VI. CONCLUSION AND RECOMMENDATIONS

This study finds that in today’s highly competitive, Internet based, and global marketplace, it is more important than ever for companies to have clear strategies that will enhance performance in order to achieve their goals. Since this study has revealed that effective and properly executed business strategy determines organizational performance. In addition, once such strategies are properly matched with organizational goals, it propels organizational performance. This study also finds that strategy is the main direction of an organization, which is set at the top and has major importance for the survival of an organization. Often managers think that an outstanding strategy alone will guarantee effective performance and competitive advantage for their organization. This paper tries to expose that for a successful organization, strategies should be linked with performance and performance is propelled by motivation. The interplay of strategies, motivation and performance gives birth to a highly successful organization. However, the study recommends that business organizations should adopt appropriate strategies that would enhance adequate organizational performance. This is because without a clearly defined strategy, a business will have no sustainable basis for creating and maintaining a competitive advantage in the industry where it operates.

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