

Strategic Thinking and Organization Performance: Study of Nigeria Firms

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Abstract

This study examines strategic thinking as it affects firm performance in the Nigeria context. Several studies on strategic thinking and firm performance have either revealed a positive relationship or negative relationship with firm performance of which most of these studies are carried out in developed countries.

This paper therefore investigates this topic using the Nigerian business environment which has its own unique quality which differs from what is obtained from other parts of the world and as such there is need for managers of firms in Nigeria to think strategically in order to have large market share and produce goods, render services that is consumer oriented in order to gain competitive advantage in the market.

Data was gathered and analysis carried out using Pearson moment correlation coefficient. It was revealed that a positive relationship exist between strategic thinking and firm performance.

Keywords: Strategic Thinking, Performance, Innovation, Competitive Advantage

1. Introduction

Strategic thinking is seen as the generation and application of distinctive business ideas and opportunities intended to create competitive advantage for a firm or business. It is also seen as the ability to come up with an effective plan in line with organizational objectives within a particular economic situation. Strategic thinking transcends time, space, and resources to offer innovative solutions to complicated and perplexing issues a firm faces in its competitive arena (Hamel & Prahalad, 1994; Mintzberg, 1987). Alsaaty, (2007) asserts that strategic thinking is an act of creating a whole new business venture.

As established by Abraham, (2005); Liedtka, (1998) strategic thinking has several interrelated qualities, including a long-term orientation, a systemic-integrative approach toward problem solving, and creativity. De Bono, (1982) in his study, concluded that, thinking is the ultimate human resource that involves moving from one state of knowledge to a better one. Thinking also involves memory, plans, ideas, and possibilities (Hayes, 1994). In the works of Larson and Hansen (2005) they defined thinking as a distinct form of pragmatic reasoning. The human central control, as the brain is often called regulates thinking as well as everything else human beings do. What happens in the brain is information, and the way it happens is thinking (De Bono, 1969). Different researchers, has given various names to thinking over the years.

Vertical thinking and strategic thinking is considered in this study as types of thinking. Vertical thinking is seen here as analytical thinking, rational thinking, logical thinking, and mathematical thinking. Although each of these thinking modes might be considered a particular method of thinking, their territories are in fact difficult to determine, and their boundaries are illusive and interlinked. Thus, it could be argued that, in real sense that they are fundamentally similar in terms of meaning. As Hussey (2001) points out, there is no strict sequence to whether bright ideas precede or follow analytical activities. De Bono, (1970) opines that vertical thinking is sequential, disciplined, and rule-based, and in it the individual moves in the thinking process forward by sequential steps, each of which must be justified.

On the other hand, the term strategic thinking, which is the main theme of this study refer to thinking that is lateral, critical, and creative (Alsaaty, 2007). These terms has the same meaning, essentially the same and again interlinked. Due to its richness and clarity, strategic thinking is more fitting. As is the case with vertical thinking, it appears that

there is no generally accepted definition for strategic thinking. For example, Liedtka (1998) defines strategic thinking in terms of five attributes: a system of holistic view, a focus on intent, time-based, hypothesis-driven, and intelligently opportunistic. Dixit and Nalebuff (1991,) defined strategic thinking as the art of outdoing an adversary, knowing that the adversary is trying to do the same to you. In view with (Alsaaty, 2006), strategic thinking refers to sensible ideas, thoughtful analyses, and sound decisions. It is no longer news that strategic thinking is deeply embedded in human history. Examples of brilliant ideas and insightful thinking include, cultivation of the land through agricultural activities and domestication of animals, as well as the invention of writing and the wheel is few, to mention but a few. Strategic thinking is considered the foundation of civilizations, and the source of economic progress.

Falih, (2007) is of the opinion that strategic thinking is proactive and reflective. It is particularly essential to those individuals who wish to become successful entrepreneurs, however, it is also essential to all mankind. Strategic thinking enables entrepreneurs to navigate with self-assurance in a dynamic, competitive environment. The benefits of this type of thinking skills are well recognized. In the study of (Barnett and Berland, 1999), they indicated that strategic thinking capability can help businesses identify ways to develop confident forecasts, and to reduce the uncertainty of business decisions. Graetz (2002) also asserts that strategic thinking is central to creating and sustaining competitive advantage.

Some of the problem facing firms is the lack of strategic skill in connecting with other firms or individuals to achieve the firms set goals and objectives. Managers also lack the technical know-how to integrate themselves to the connectivity of other companies thereby bringing out the target objectives. Furthermore, any problem identifies is that firm have rigid strategy which most times cannot be amended or adjusted to adapt to the connectivity of other firms. Also, lack of proactive thinking tends to hamper the ability of the firm in interacting with other firms so as to achieve the firm desired goals and also in providing the customers with goods and services that will satisfy their want.

Finally, there is the inability of the firm to take risk and fear of competition. Most organization are not risk takers and also shy away from challenges thereby restricting them from connecting with other co-firms so as to efficiently and effectively utilize the available resources in providing a satisfactory level of performance to the customers.

2. Literature Review

Previous studies revealed that organizations who have adopted strategic thinking approach are very successful in their businesses (Amiri Aghdaie et al., 2012). There are various examples of organizations who have adopted strategic marketing (Ansari and Riasi, 2016; Riasi and Pourmiri, 2015), strategic sustainable management (Riasi and Amiri Aghdaie, 2013; Riasi and Pourmiri, 2016), strategic educational management (Riasi and Asadzadeh, 2015, 2016), and strategic financial decision making (Riasi, 2015) and have been extremely prosperous in their businesses.

Rajagopalan and Spreitzer, (1997) study on the relationship between strategic thinking and organizational performance showed uncertain findings. Some authors including Hambrick and Schecter, (1983); Haveman, (1992); Zajac and Kraatz, (1993) found out that strategic thinking enhances performance, while other researcher have found that strategic thinking reduces performance (Jauch, Osborne, and Glueck, 1980; Singh, House, and Tucker 1986). Some other researchers has found either no relationship between strategic thinking and organizational performance (Zajac and Shortell, 1989; Kelly and Amburgey, 1991) or mixed relationships (Smith and Grimm, 1987). These contradictory findings imply that the relationship between strategic thinking and firm performance may not be direct, as most previous studies have assumed.

Visualizing the future before it happens is one of the focuses of strategic thinking, it is seen as a process that involves building and considering different scenarios. These scenarios represent the combination of different visions and forces that give meaning to an overall set of assumptions and predictions about what the future holds. Thus, strategic thinking often requires reconciling competing hypotheses about the future and integration of divergent views into a coherent whole. According to Chussil, (2005); Hamel, (1996); Hamel & Prahalad,(1994) strategic thinking is also systemic in that it builds on the linkages among different components that form a vision for the future, transforming this vision into reality is likely to be a long term process, where organizational resources are dedicated to making this transformation possible because definitions of the arena, competition, and competitive tools are new, strategic thinking is often associated with radical and revolutionary transitions in the life of industries and companies.

Shaker et al., (2012) asserts that strategic thinking requires creativity, as well as foresight and insight. Foresight is the ability to see what is likely to happen in the future, foreseeing its shape and qualities before it comes to past. Insight revolves around gaining an accurate understanding of things, discovering ways that give birth and meaning to

the future. Strategic thinking changes the competitive arena and induces new dynamics since it encompasses creativity, inventiveness, and proactiveness. It often involves revising the boundaries and features of the competitive environment, as well as challenging and sometimes revising the assumptions that underlie market forces. Insight also creates new competitive spaces by reconfiguring or changing the links that exist in a firm's environment.

Zahra & Nambisan, (2011) redefining the domain, content, and relationships among its key components can give a firm the opportunity to compete in an environment where it sets its own rules of the game. Imagination brings about foresight and insight, not simply by resources or geographical settings of the firm. Entrepreneurs understand that the firm's environment shapes foresight and insight and are based on the environment. For survival, entrepreneurs know that their companies depend on broad settings and diverse webs of relationships with stakeholders. Thereafter, survival requires addressing the limitations of that environment, working around its complexity and constraints, and learning how to turn these challenges into opportunities, focused and purposeful actions that create value. The bottom line of strategic thinking is the ability to comprehend and respond to these challenges.

Strategic thinking transcends time, space, and resources to offer innovative solutions to complicated and perplexing issues a company faces in its competitive arena (Hamel & Prahalad, 1994; Mintzberg, 1987). According to Abraham, (2005) and Liedtka, (1998) strategic thinking has several interrelated qualities, which includes a long-term orientation, a systemic and integrative approach toward problem solving, and creativity. Strategic thinking focuses on having a glimpse about the future before it eventually happens, a process that entails building and considering different scenarios.

These scenarios represent the combination of different visions and forces that give meaning to an overall set of assumptions and predictions about future states. As such, strategic thinking often requires reconciling competing hypotheses about the future and integration of divergent views into a coherent whole. This integration requires creativity and intelligence. Strategic thinking is also systemic in that it builds on the linkages among different components that form a vision for the future. Transforming this vision into reality is likely to be a long term process, where organizational resources are dedicated to making this transformation possible. Because definitions of the arena, competition, and competitive tools are new, strategic thinking is often associated with radical and revolutionary transitions in the life of industries and companies (Chussil, 2005; Hamel, 1996; Hamel & Prahalad, 1994).

In today's organizations, strategic thinking should not be seen as the sole responsibility of senior managers, because some of the most creative ideas that triggers strategic thinking come from middle and lower level managers, as well as employees who interact with customers, suppliers, and other stakeholders. Hamel, (1996), Employees who are steeped in the knowledge of their company's operations are well positioned to come up with some of the more interesting strategic moves that have promise to transform the company's business and change the dynamics of competition. Employees often develop their own knowledge networks via which they share, discuss, and evaluate ideas for products, above and beyond the company's evolution. They also keep in contact with others who belong to professional and personal friendship networks, another valuable source of ideas for strategic thinking. Learning to stimulate and capture these diverse ideas from managers and employees through the organization can enrich the menu from which senior executives harness ideas for strategic change, especially when they unleash the firm's entrepreneurial capabilities and potential.

The hypothesis available after consideration of different authors' on the subject matter is thus highlighted below:

H₀: there is a relationship strategic thinking and firm performance in Nigeria.

H₁: there is a positive relationship strategic thinking and firm performance in Nigeria.

3. Methodology

Data for this study was collected by primary data collection method through personal administered questionnaire. Owing to cost control a suitable sample of 300 firms were chosen for this research both in different states in Nigeria. Owners of business organizations were randomly selected in Nigeria which is mostly private firms, small and medium scale business. Of the 300 respondents who agreed to complete the survey, 15 questionnaires were removed due to uncompleted responses; the final sample was therefore 285 which shows an effective response rate of 95 percent. The questionnaire contains two parts with the first part contain 6 questions relating to the respondents personal data, while the second part contain 12 questions relating to the study and hypothesis.

4. Data Analysis and Interpretation

Respondents completed the survey questionnaire that included questions about the basic characteristics of the respondents (sex, age, location, educational qualification, type of firm and duration of firm), other items included are; entrepreneurship, strategic thinking, and business ecosystem.

Data revealed that 141(49.5%) of the respondents were male while 144(50.5%) of the respondents were female with an average age 32years and educational qualification ranging from SSCE, NCE, OND, to HND and BSC. Ninety-six respondents (33.7%) are located in the western part of Nigerian while others are in other geo-political areas of the country. 43.9% of the respondents own medium scale firm, 34.7% own small scale firm. 40.7% and 37.5% of the respondent firms have existed between 5-9 years and 1-4 years respectively. The reliability of the data as shown by the Cronbach Alpha is 78.1% (Table 1) which means the data can be relied on.

Table 1. Reliability Statistics

Cronbach's Alpha	N of Items
.791	12

Table 2. Correlations

		firms do not interact well with individuals in their locality	i utilize all opportunities that comes my way
firms do not interact well with individuals in their locality	Pearson Correlation	1	.248(**)
	Sig. (2-tailed)		.000
	N	285	285
i utilize all opportunities that comes my way	Pearson Correlation	.248(**)	1
	Sig. (2-tailed)	.000	
	N	285	285

** Correlation is significant at the 0.01 level (2-tailed).

Having given a clear analysis of the responses assessing the respondents through the cross tabulation of variables, the hypothesis formulated earlier is now tested. The validity of the available hypothesis therefore is tested by applying correlation statistical techniques. The relationship between strategic thinking and firm performance was investigated using Pearson product-moment correlation coefficient. Preliminary analyses were performed to ensure no violation of the assumptions of normality, linearity and homoscedasticity. There was a fair, positive correlation between the two variables, $r = 0.248$, $n = 285$, $p < .0005$ (Table 1).

The implication is that there is a significant relationship between strategic thinking and firm performance in Nigeria. To this end, the explanatory with .000 and according to the decision rule, the study hereby accept the alternative hypothesis which states that there is a significant relationship between strategic thinking and firms in Nigeria.

5. Conclusion

Understanding the linkage between thinking strategically and firm performance sets the stage for exploring how managers exploit managerial activities for market leadership and value creation. A firm's environment however aids and promotes strategic thinking. While there are things about the firm environment that should be taken as 'givens,' there is considerable room for framing, restructuring, revising, and transforming the firm environment or selected parts of it, for competitive advantage (Hanna, Rohm, & Crittenden, 2011; Iansiti & Levien, 2004). Interestingly, the critical importance of connecting strategic thinking and firm performance becomes evident when we consider different types of industry and firm.

This study thus pinpoints the importance of strategic thinking among managers and employees in firms since a positive relationship was revealed from this study. Strategic thinking is not the sole responsibility of senior managers.

Some of the most creative ideas that stimulate strategic thinking come from middle and lower level managers, as well as employees who interact with customers, suppliers, and other stakeholders. Strategic thinking embodies creativity, inventiveness, and proactiveness in changing the competitive arena and inducing new dynamics and bringing in new methods into the market in order to get a considerable market share. It often entails revising the boundaries and complexion of the competitive arena, as well as challenging and sometimes revising the assumptions that underlie market forces.

According to Alsaaty, (2007) the theory of strategic thinking is in its infancy, and demands further attention for its development, legitimacy, and cultivation. Also given the high number of firms springing up on daily basis in Nigeria, it is recommended that a larger percentage is studied in other authors and differences between industries addressed in further studies.

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