

# STRATEGY EVALUATION PROCESS AND STRATEGIC PERFORMANCE NEXUS

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**Abstract:** Strategy evaluation process enables firms to continuously assess current practices and their contribution to strategy implementation. This study has examined strategy evaluation process and strategic performance of mobile telecommunication firms operating in Nigeria. The study provides new insights into the effect of strategy evaluation process on strategic performance of large firms in an emerging market such as Nigeria. The authors used theoretical insights from strategic management literature to better understand how a firm process of strategy evaluation affects strategic performance. The research has been done in a single industry, using quantitative methods and survey to obtain information from employees of four mobile telecommunication MNCs operating in Nigeria. The findings suggest that a mobile telecommunication firm adopts a systematic approach to strategy evaluation which has a significant and positive impact on their strategic performance. This study contributes to the existing literature by providing experience on the strategy evaluation process of MNCs operating in the mobile telecommunication sector in an emerging market (Nigeria). The study recommends that firms should adopt a robust strategy evaluation process that will enable them to identify and take corrective action when strategic initiatives are failing or could be improved.

**Key words:** telecommunication firms, strategy evaluation, strategic performance.

**JEL:** L20, M10.

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## Introduction

Strategy evaluation process identifies the level of strategy implementation (Elshamly 2013), gives early signals about factors that might hinder the success of the strategy by prompting management to ask questions on the execution process or the leaders' reliability and competency (Carpenter & Sanders, 2009). Strategy evaluation process highlights firms' effectiveness in reacting to new challenges (Johnson & Scholes, 2002) that make them achieve their strategic aims. In fact, firms should review their capabilities and competencies for successful implementation of their strategy (Popa et al, 2012). Therefore, strategy evaluation process ensures that firms adapt their strategy to any risk of changes in the environment. Arguably, a robust strategy evaluation process provides information to the management on the cause of failure in achieving the firm's strategic objective. Indeed, strategy evaluation protects the business from collapse (Dubihlela & Sandada, 2014), prevents firms from taking wrong decisions and helps them to anticipate problems if there is change in the internal and external environment (Elshamly, 2013). Strategy evaluation process has received limited attention in the strategic management literature (Edwards & LaFief, 2004, cited in Abdul Najib Bin Abdul Majid & Mas Bambang Baroto, 2016), especially in large firms. Literature shows that there are few studies on strategy evaluation/performance nexus focused on Small and Medium Enterprise (SMEs) (e.g. Dubihlela & Sandada, 2014; Popa et al., 2012). Furthermore, most of the studies in Nigeria did not consider strategy evaluation as separate constructs in the strategic management process (e.g., Monday et al., 2015; Muogbo, 2013a). We argue that strategy evaluation process is a separate construct and the relationship between strategy evaluation process and performance may depend on contexts. Contextually, this study focuses on multinational firms operating in the mobile telecommunication sector in Nigeria. Globally, telecommunication contributes to economic development and growth of countries. Likewise, the mobile telecommunication sector in Nigeria is a major contributor to Gross Domestic Product, (GDP), foreign direct investment and employment growth. According to GSMA (2015), the mobile operators contributed \$8.3 billion in value added to the Nigerian economy in 2014 (\$2.2 billion of this comes from value added generated from direct impact of wages, taxes and dividends, \$3.7

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billion comes from value added generated across the mobile ecosystem that remains within Nigeria and \$2.4 billion comes from subsequent rounds of expenditure created directly or indirectly captured using the multiplier). Arguably, systematic approach to strategy evaluation process could enhance strategic performance of firms. The study, therefore, attempts to fill the contextual gap in the literature by investigating the impact of strategy evaluation process on strategic performance of multinational firms in the mobile telecommunication sector in an emerging market.

### **Literature review**

#### **Strategy Evaluation and Performance**

Strategy evaluation can highlight weaknesses in already implemented strategic plans and makes the entire process to start all over. Ivancic (2013) contends that the effective evaluation method is important because the key activity of strategy evaluation is to determine if strategy execution meets the firm objectives. Hunger and Wheelen (2011) submitted that results of strategy evaluation are essential for further action if the process is showing any problems that affect the functioning of the firm towards its goal. Therefore, firms need to evaluate their strategies on a continuous basis (King'ola, 2001; Tunji, 2013), so that corrective action could be taken to eliminate the problems that hinder the achievement of firm objectives (David, 2011). Gonçalves (2009) submitted that periodic evaluations keep the strategic plan flexible and connected to the firm competencies. David (2001) pointed out that ineffective evaluation can limit success or create worse problems for firms. Consequently, management needs to ask the right questions to ensure their effectiveness (Onwe, 2014). Additionally, strategy evaluation process prevents companies from making a wrong decision that could lead to disruptions and serious damage. Empirically, Abdul Najib Bin Abdul Majid and Mas Bambang Baroto (2016) examined the effect of strategic planning on Malaysian SMEs performance as well as the effect of employees' participation, implementation of incentives, strategy evaluation and control on the strategic planning process. One hundred and eighty-three questionnaires, collected via electronic mail and manually from SMEs around Kuala Lumpur, were analysed using Pearson correlation and multiple regressions techniques. The results suggest that strategy evaluation has a significant and positive impact on

strategic planning process, while strategic planning process has a positive impact on Malaysian SMEs' business. Studying Sarova Town Hotels in Kenya, Wanjiru (2016) examined the influence of strategic management practices on corporate performance. The results showed that strategy evaluation has a significant influence on the performance of Sarova town hotels. Similarly, Maroa and Muturi (2015) investigated the relationship between strategic management practices and performance of flower firms in Kenya. It was observed that most floricultural firms evaluated their strategy and strategy evaluation had a significant influence on the performance of flower firms. Kumar (2015) using correlation analysis found that the strategy evaluation dimension of strategic planning steps have a significant and positive association with firm performance. Authors argue that strategy evaluation is a systematic and rational process that influences the performances of mobile telecommunication firms in Nigeria. We have hypothesized that:

**H1.** Strategic evaluation process will have a positive and significant impact on strategic performance.

### **Methodology**

#### **Participants and settings**

The respondents of this study consist of one hundred and twenty managers and analysts who are responsible for strategic management in mobile telecommunication companies in Nigeria. Four mobile telecommunication firms participated in the study. We administered questionnaires to employees who work in mobile telecommunication companies, head offices and eight regional offices. The survey was conducted between June 2017 and November 2017. Participation in the survey was voluntary and at the convenience of respondents. The one hundred and twenty participants represent the total number of employees whom the authors believe can give reliable information on the subject.

#### **Data Collection Instrument**

The questionnaire was used to collect data on the respondents' characteristics, strategy evaluation process and strategic performance. Strategy evaluation process was operationalized based on literature review. For strategic performance, we adapted Santos and Brito (2012). A mix of structured and unstructured questions was used to collect data from the

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respondents. The instrument was designed in two main parts; Part A asked questions about respondents' profile. Part B asked questions about strategy evaluation process and strategic performance. To simplify processing of the responses, a five-point Likert scale, from 1 (strongly disagree) to 5 (strongly agree) was used to measure strategy evaluation process. Five questions were used to collect data on strategy evaluation process, which included: (i) company continuously assesses the current practices and their contribution to strategy implementation, (ii) company communication of assessment results to various stakeholders is timely, (iii) company developed a set of key performance indicators or some other form of accountability to track the success of strategic initiatives, (iv) company is successful at identifying corrective action when strategic initiatives are failing or could be improved, (v) the response time after my company acknowledges that a strategic initiative is failing is appropriate. For strategic performance, respondents were asked to choose, among five options, from 1 (below average) to 5 (above average) which best describes the firm's overall average performance in terms of customers' and employees' satisfaction, social and environmental performance based on managers' perceptions. Descriptive statistics and Pearson correlation and regression techniques were used for data analyses. The hypotheses were tested at 0.05% significance level. Statistical package for social sciences (SPSS 17) software was used for the conducted analyses.

### **Model Specification**

The regression model for this study takes the following form:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

where Y = dependent variable (strategic performance)

$\beta_0$  = constant or intercept which is the value of dependent variable

when the independent variable is zero.

$\beta_1$  = Regression Coefficient for independent variable.

$\varepsilon$  = error term.

$X_1$  = independent variable indicator representing strategy evaluation process.

### **Reliability/ Validity test**

Our calculated Cronbach's alpha for strategy evaluation process (0.80) and strategic performance (0.78) are above the recommended 0.70 which

shows that the measurement instrument is reliable (Zikmund et al., 2013). The KMO and Bartlett's test of sampling adequacy was significant (KMO; 0.727,  $P = 0.000 < 0.05$ ) and higher than 0.5 (Hair et al., 2010). Furthermore, a panel of six academic and non-academic experts confirmed the face validity, comprehensiveness and coherency of the questionnaire items.

### **Results**

Out of 120 questionnaires, 105 were returned and used for conducting different analyses. This represents 87.5% response rate which is adequate for data analysis (Bryman & Bell, 2015). In terms of the demographic profile of the respondents, the respondents were classified into four groups of age: between 25-34 years old; 35-44 years old; 45-54 years old; 55 years old and above. 36 % of the respondent's age is between 25-34 years old. More than half - 62 % of the respondents were between 35 and 44 years old. About 2% were between 45-54 years old. There are no respondents whose age was 55 years and above. With respect to educational qualifications, 44% of the respondents have a first degree (HND/B.SC), 55% have a second degree (MBA/M.SC) and 2% have professional certifications. Regarding work experience, only 7.6% respondents had worked for the firms for less than five years and 92.4% respondents had worked in the firms for 5 years and more. 2% of the respondents were directors, 10% were senior managers, 45% were middle managers, 41% were lower level managers, 2% were analysts and supervisors. The sample may be considered suitable in terms of the distributions of these characteristics.

### **Descriptive Statistics**

A mean score of (1.00 - 1.99 = strongly disagree), (2.00 - 2.49 = disagree), (2.50 - 3.49 = undecided), (3.50 - 4.49 = agree) and (4.50 - 5.00 = strongly agree). The results in Table 1 show that the respondents agree with the following statements based on strategy evaluation process: company continuously assesses the current practices and their contribution to strategy implementation (mean score, 3.914), company communication of assessment results to various stakeholders is timely (mean score, 3.752), company has developed a set of key performance indicators or some other form of accountability to track the success of strategic initiatives (mean score, 4.247), company is successful at identifying corrective action when

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strategic initiatives are failing or could be improved (mean score, 4.000), and the response time, after my company acknowledges that a strategic initiative is failing is appropriate. (mean score, 3.504). The firms' performance was assessed using items that intended to capture strategic performance in terms of the overall customer satisfaction, employees' satisfaction, environmental performance and social performance based on managers' perception. A mean score of (1.00 - 1.99 = below average), (2.00 - 2.49 = slightly below average), (2.50 - 3.49 = average), (3.50 - 4.49 = slightly above average) and (4.50 - 5.00 = above average). The further results show that strategic performance in the last 3 years, in terms of the overall customer satisfaction (mean, 3.907) is slightly above average; strategic performance in the last 3 years, in terms of the overall employees' satisfaction (mean, 4.029) is slightly above average; strategic performance in terms of overall environmental performance, (mean, 3.824) is slightly above average and strategic performance in the last 3 years, in terms of overall social performance (mean, 4.086) is slightly above average.

*Table 1*  
*Content, means and standard deviations of the items*

<b>Descriptive statistics</b>	<b>Mean</b>	<b>Std. dev</b>
Company continuously assesses the current practices and their contribution to strategy implementation.	3.914	0.761
Company communication of assessment results to various stakeholders is timely.	3.752	0.806
Company has developed a set of key performance indicators or some other form of accountability to track the success of strategic initiatives.	4.247	0.690
Company is successful at identifying corrective action when strategic initiatives are failing or could be improved.	4.000	0.784
The response time, after my company acknowledges that a strategic initiative is failing is appropriate.	3.504	0.900
Our performance, in the last 3 years, in terms of overall customer satisfaction.	3.907	0.883
Our performance, in the last 3 years, in terms of overall employee satisfaction.	4.029	0.814
Our performance, in the last 3 years, in terms of overall environmental performance.	3.824	0.888
Our performance, in the last 3 years, in terms of overall social performance.	4.086	0.972

Source: Authors, 2018

**Bivariate Correlation result**

Findings from the bivariate correlations in Table 2 show that a positive and significant relationship exists between strategy evaluation process and strategic performance of the mobile telecommunication firms in Nigeria ( $r = 0.319^{**}$ ,  $P = 0.001 < 0.05$ ). This means that the performance of these firms improves significantly when they pay attention to the process of strategy evaluation.

**Table 2**  
**Bivariate Correlation Results**

Performance	Strategy Evaluation Process
Pearson Correlation	0.319**
Sig. (2-tailed).	0.001
N	105

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

Source: Own, 2018

The results on strategy evaluation process were subjected to further analysis where a univariate linear regression model  $Y = \beta_0 + \beta_1 X_1 + \varepsilon$  was used. The model in Table 3 was found to be statistically valid ( $F_{(1, 103)} = 11.693$ ,  $P=0.001 < 0.05$ ). Thus, strategy evaluation process ( $X_3$ ) is a good predictor of variations in strategic performance of the mobile telecommunication MN firms in Nigeria.

**Table 3**  
**Strategy Evaluation and Strategic Performance: ANOVA**

	Sum of Squares	df	Mean Square	F	Sig.
Regression	4.424	1	4.424	11.693	0.001
Residual	38.967	103	0.378		
Total	43.390	104			

a Predictors: (Constant), strategy evaluation process.

b Dependent Variable: Strategic Performance

Source: Own, 2018

The study results in Table 4 further show that strategy evaluation process accounts for 10.2% of the total variations in the performance of the mobile telecommunication firms ( $R^2 = 0.102$ ). This finding shows that a firm's



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strategy evaluation process will always exist at a certain minimum as shown by the constant ( $\beta_0 = 2.851$ ,  $P = 0.000 < 0.001$ ). Strategy evaluation process was found to be positively and significantly related to the mobile telecommunication firms' performance ( $\beta_1 = 0.270$ ,  $P = 0.001 < 0.05$ ). This implies that, as the mobile telecommunication firms adopt systematic approach to strategy evaluation, their strategic performance improves.

*Table 4*  
*Strategy Evaluation Process and Strategic Performance:*  
*Regression Weights*

Model	Unstandardized Coefficients		Standardized Coefficients			
	B	Std. Error	Beta	R <sup>2</sup>	t	Sig.
Constant	2.851	0.306			9.327	0.000
Strategy Evaluation	0.270	0.079	0.319	0.102	3.420	0.001

a. Dependent variable: Strategic performance

Source: Own, 2018

### Test of Hypothesis:

**H1.** Strategy evaluation process will have a positive and significant impact on strategic performance.

This hypothesis tests whether strategy evaluation process will positively and significantly impact the strategic performance of the mobile telecommunication firms or not. The hypothesis H1:  $\beta_1 = 0$  versus H1:  $\beta_1 \neq 0$  was tested. The results from the bivariate correlations in table 2 show that there is a significant and positive association between strategy evaluation and mobile telecommunication firms' strategic performance ( $r = 0.319^{**}$ ,  $P = 0.001 < 0.05$ ). Similarly, the univariate regression results in Table 4 indicate that the effect of strategy evaluation process on strategic performance of mobile telecommunication firms ( $\beta_1 = 0.270$ ,  $P = 0.001 < 0.05$ ) is positive and significant. This study, therefore, concludes that strategy evaluation process exerts positive and significant influence on strategic performance of mobile telecommunication firms in Nigeria, **providing support for H1.**

### Discussion

According to Dubihlela and Sandada (2014), strategy evaluation plays an important role in protecting the business from collapse. The results from the

bivariate correlations in Table 2 indicate that strategy evaluation process has a significant and positive association with mobile telecommunication MN firms' performance ( $r = 0.319^{**}$ ,  $P = .001 < 0.05$ ). Similarly, the univariate regression results in Table 4 reveal that strategy evaluation process has a positive and significant impact on the performance of mobile telecommunication firms in Nigeria ( $\beta_1 = 0.270$ ,  $P = 0.001 < 0.05$ ). Firms cannot afford to take wrong strategic decisions because of the serious implications of such decisions on their growth and survival. This implies that mobile telecommunication firms in Nigeria need to assess their activities, monitor and compare actual performance with desired performance. Additionally, adopting a systematic approach to strategy evaluation process enable firms to identify weakness in the strategic management process. When these shortcomings are identified, it gives the firms the opportunity to re-strategize by reformulating and implementing better strategy which, in turn, enables them to achieve superior strategic performance. The findings of this study agree with the studies of other scholars who have found a positive relationship between strategy evaluation and firm performance. This study affirms the works of (Wanjiru, 2016) who has concluded that strategy evaluation significantly influences the performance of hotels in Kenya, (Abdul Najib et al., 2016) who has reported that strategy evaluation has an indirect significant positive effect on Malaysian SMEs performance, (Maroa & Muturi, 2015) who has observed that strategy evaluation has a significant impact on the performance of flower firms in Kenya, and (Kumar, 2015) who has found that the strategy evaluation dimension of strategic planning steps is significantly and positively related to firm performance.

### **Conclusions**

Mobile telecommunication companies need to pay close attention to the process of strategy evaluation so that problems that may hinder the achievement of their strategic objectives are identified and eliminated on time. The study examined strategy evaluation process and strategic performance of mobile telecommunication firms in Nigeria. The response rate of this study was 87.5 %, that is, 105 respondents returned the questionnaires out of the expected sample of 120 respondents. The empirical study was analysed using theoretical insights from strategic management

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literature to better understand how the process of strategy evaluation has impact on strategic performance. The study adds to the strategic management/performance literature, by exploring the strategy evaluation process and strategic performance in the mobile telecommunication firms in an emerging market. The main message, conveyed by the study, is that strategy evaluation process exerts positive and significant influence on strategic performance of mobile telecommunication companies operating in Nigeria. The results revealed that continuous evaluation of the firms' current practices, timely communication of assessment results to various stakeholders, key performance indicators to track the success of strategic initiatives, success at identifying corrective action when strategic initiatives are failing or could be improved and appropriate response time to acknowledging failure of strategic initiatives are important in order to achieve and sustain strategic performance. Thus, firms need to evaluate their activities, monitor and compare actual performance with desired performance. Managers need to obtain precise, prompt and unbiased information in order to be able to make a meaningful evaluation of their firm strategy. Authors, therefore, recommend that firms need to adopt a systematic and robust approach to the process of strategy evaluation to deal with issues that may arise during strategy formulation and implementation as this can lead to better business results. To provide new important insights into existing knowledge, other researchers can use longitudinal data to explore the relationships between the constructs in other sectors/industries and countries. Finally, the study variables were taken to have a linear relationship and therefore there was no mediating or moderating variable(s). Further research should search for mediating or moderating variables, for instance, size and age in order to explore if there is any significant difference between strategy evaluation process and strategic performance.

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