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Correlates of Strategic Management and Corporate Survival of Consumer Goods Manufacturing Firms

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Abstract

This study was conducted to examine the extent to which strategic management influences the survival or consumer goods manufacturing companies. To achieve this purpose, research questions were raised, hypotheses were formulated ad tested with the chi-square test, while relevant literature was equally reviewed. The population of the study consists of eleven (11) consumer goods manufacturing companies in Rivers State. The questionnaire, which was the major instrument used in collecting data for the study, was administered on the General Manager of the selected companies. Our findings revealed that strategic management significantly enhance the survival of consumer goods manufacturing companies. Based on the above, it was therefore recommended that consumer goods manufacturing companies should endeavour to

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make good use of strategic management, in order to enhance corporate growth and survival and every member of the organization should be integrated into the strategic initiatives.

Key words; Correlates, strategic management, corporate survival, consumer goods

Introduction

The modern business manager operates in a dynamic environment. The change in the environment has been rapid and unpredictable. Economic variables have been complex both inform and impact on business practices. Consumers and clients have been showing complex behaviours both in local and international markets. The most dramatic change as observed by Aluko et al (1998) is that exhibited by competitive pressures. Competitors have been applying one strategy or the other to adapt to the dynamic and unpredictable business environment.

Weakness in competitive practice can be observed in any aspect of business operation. Among consumer goods manufacturers, such weakness can b shown inform of outdated or obsolescent products. No matter the form of competitive weakness, the inability of the company to adapt to changes in its environment results in a very serious problem, which could be decline in productivity or outright collapse of the business (Griffen, 1996).

The sheer rapidity of competitive change in the contemporary manufacturing industry in general, requires greater organizational adaptability. There is increasing complexity as well as accelerating rate of change in environments, and there is the conviction that the future of environment is unpredictable. Increasingly, the rational strategies of planned-innovation and long-range planning are being undermined by unpredictable changes. The effectiveness of long-range planning in the light of frequent failures may be questioned. The rapidity and complexity of change may exclude effective long-range planning (Aluko et al, 1998).

The success of any strategy depends on the strength of the competitive analysis on which it is based. The particular structure of business competition is made considerably more complex and flexible by the existence of a common medium of exchange. This is the basis for the importance of marketing in the existing business environment (Jones, 2005). The medium of exchange (money) can be for a multiplicity of resources required. Revenue generation makes marketing a critical subsystem of the system of business competition. The analysis of a given market situation beings with the identification of the unique advantage of that business, this requires the identification of specific competitors who act as constraints to organizational goals. Progress will be made by increasing organizational ability to adapt and integrate concepts of competitive system dynamics in order to design efficient and effective strategy for competitive operations (Stable and Grigshy, 1997)

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According to Henshaw and Smith (2012), different industries offer different competitive opportunities, and as a result, successful adaptation to competitive environment varies from one industry to another. Competitive advantage is built on the ability to utilize the business systems to provide customers and clients with the desired value at the lowest cost. However, not all business systems offer the same potential to build competitive advantage. In addition, their choice is affected by the stage of development of the industry as well as the action of other competitors.

Hoffer (2007) affirmed that the key to survival by consumer goods manufacturers in modern competitive business environment lies in having clearly defined objectives, and having efficient and effective practices to achieve set objectives. The business strategist is therefore expected to study the nature of competition in the industry, understand the strengths and weaknesses of his organization, and develop programmes that can put his organization in a more competitive advantage. Establishing competitive advantage can take many forms such as market development, product development, geographical expansion, and rational use of the marketing mix variables (Biggadike, 2005).

Market changes and new forms of competition have led to impressive growth and performances for those firms were management has incorporated strategic concepts and analyses into business strategy development and implementation (Porter, 1985). It should be particularly noted therefore that strategic management is essential to corporate survival and growth in the rapidly ever-changing business environment.

In view of the above discussions, the following hypotheses are formulated.

(i) H_o: Product-life cycle strategy has no significant impact on the survival of consumer goods manufacturing companies.

(ii) H_o: Product portfolio strategy has no significant effect on the survival of consumer goods manufacturing companies.

(iii) H_o: Porter competition determinant has no significant influence on the survival of consumer goods manufacturing companies.

Literature Review

Many organizations are using strategic management to make effective decisions. But strategic management may not always guarantee success; it can be dysfunctional if conducted haphazardly (Wheliright, 1998). If well carried out; strategic management allows an organization to be more proactive than reactive in shaping its own future. According to Griffen (1996), strategic management allows an organization to initiate and influence rather than just responding to its environment and thus to exert control over its own activities Strategic management provides a

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basis for identifying and rationalizing the need for change to all managers and employees of a firm, it helps them view change as an opportunity rather than threat (Greenley, 2008).

In order to ensure increased market-share, profitability, growth, and survival, a manager employs different strategic tools at the functional level, business level, and corporate level (Stahl et al, 1997). At the functional level, the manager employs tools that will enable him manage the strengths and weaknesses of the organization so as to increase market share and profitability. Researchers have suggested the use of the product-life cycle, and the porter's competition determinants at this level. at the business level, the manager shifts emphasizes to adapting the organization to its environment political, socio-cultural, competitive, physical, economic, technological etc. The viable strategic tools that have been identified at this level are the product portfolio matrix and the product-life cycle competitive matrix. Moreso, the concern of the manager at the corporate level is to determine the direction that will enable the firm to satisfy its purpose. The strategic tools to be employed at this level are the directional policy matrix, industry analysis, and strategic issues analysis (Aluko et al, 1998).

Generally, the strategic management tools are briefly discussed below;

(i) **Product-Life Cycle**

The product life cycle concept is a powerful tool for distinguishing between the important strengths and weaknesses of the internal environment and those that are less significant. Hofer (2007 concludes that the most fundamental variable in determining an appropriate strategy is the stages of the product life cycle. The strategic objectives for the stages of the product life cycle as identified by Aluko et al (1998) are market development, growth, competitive turbulence, maturity, and decline. These objectives suggest that a number of strategic actions are important at the product life cycle stages.

(ii) **Product Portfolio**

The product portfolio analysis uses a matrix to examine products and markets, with market growth one axis and the relative market share the other. This tool can be used to study both firms' and competitors' portfolios. In addition to suggesting how organizational resources might be allocated among firm's products it shows the strength of the firm's competitive position (Game, 2000).

(iii) **Porter's Competition Determinant**

According to Porter (1985), there are five factors that determine the level of competition in an industry. These are-the current level of competition, the relative powers of suppliers, the relative powers of customers, threats of new entry, and

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product substitute. After assessing the determinants, the manager can either position the firm so that its capabilities provide the best defence against competitive forces, or improve the firm's position.

(iv) **Product-Life Cycle Competitive Matrix**

Hofer developed conceptual constructs formulating business and corporate strategies. He uses four products at different life cycle stages with different competitive positions. According to him, product 1 is at introductory stage, product 2 at growth stage, product 3 at maturity stage, and product 4 at decline stage. Product 1 has a strong competitive position, product 2 has a weak position, product 3 has an average position, while product 4 has a very weak position. The stronger competitive position of product 1 suggests that product 1 should receive managerial attention and support. The concept also leads to the conclusion that product 3, because of its average position should be "milked" as a cash cow and its resulting funds used for product 1. He suggested that the firm should minimize investment in product 3 and harvest or drop product 4 as a result of its very weak position.

(v) **Directional Policy Matrix**

The directional policy matrix extends the product portfolio matrix and makes it more qualitative. This is as illustrated in the figure below.

Fig.1: The Directional Policy Matrix Business Strength Competitive Capabilities

attractiveness			
High	**Invest**	**Invest**	**Evaluate**
Medium	Invest and grow	Evaluate	Harvest and divest
Low	Evaluate	Harvest and divest	Harvest and divest
	High	Medium	Low

Source: Aluko et al (1998) *Business Policy and Strategy:* Lagos, Pumark

Aluko et al (1998) posited that personal values and attitudes will lead one manager to invest based upon high firm strength and another to invest based upon high industry attractiveness. V Risk can be added as another factor in the strategic manager's evaluation of the crosshatched areas and also of the invest and direct conclusion. The manager should review the "Evaluate""Invest", and "Divest" groups to make sure that the risk or level of uncertainty is consistent within the groups.

(vi) **Industry Analysis**

Hofer and Shendel (2008) suggest five steps to determine the attractiveness of an industry. These are: (i) Determination of appropriate criteria for judging a

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particular industry. Criteria may include relative profitability, level of government regulation, competitive pressures, product market size, growth rate, operating costs, etc. (ii) Assessment of a weighting factor or priority ranking to each criterion; (iii) Collection of data about each criterion: (iv) Analysis of data and determination of appropriate measure of criteria. The measure can be qualitative or quantitative; (v) Comparison of the weighting ranking with the opinions of other managers and experts. This serves as a check against incomplete or inappropriate data which might be indicate by a big difference between the weighted ranking and expert opinions: Industry analysis is used to determine which direction the firm will pursue to satisfy enterprise purpose.

(vii) **Strategic Issue Analysis**

This is the examination of an external environment, strategic signal, or group of related signals. It is the most significant tool used by management at the corporate level of the corporate level of the organization (Whellright, 1998).

Steiner and Miner (2007) and Thompson (1987) assert that no one of the strategic management tool could be described as the best. The effectiveness of the chosen tool depends on the objective to be achieved. The product-life cycle concepts and the product portfolio matrix seem to be of significant effect at the functional and business levels, where the firm focus is on SWOT analysis. But where the firm is aimed at achieving its set objectives of profitability, growth and survival, other alternative strategic tools are applicable.

Lamido and Clockun (1998) reveal that the strategic management tools seem not to be very useful in the management of Nigerian organizations. This is mainly because of lack of personal commitment and discipline on the part of managers in Nigerian organizations. Adebayo (2001) state that strategy formulation seems to be an easy task but its implementation often requires many changes in the organization's structure and operations. He further explained that Nigerian managers are very resistance to change therefore rendering the strategic management process a fruitless effort.

Methodology

The population of this study consisted of consumer goods manufacturing companies in Rivers State. Available records from the Port Harcourt Chamber of Commerce revealed a total of eleven (11) of such companies. In collecting the data for the study, a questionnaire designed in five points Likert scale was administered on the General Managers of the companies.

In this study, strategic management was operationalized as Product-life Cycle Strategy, Product Portfolio Strategy and Porter Competition Determinants; while the

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constructs for corporate survival include – rules revenue, as posited by Degarmo and Sullivan (1999).

The model framework and specification for the study is presented thus;

COS = $f[\alpha_o Log + \beta_1 LogOLC + \beta_2 PPS + \beta_3 PCD + --- \mu_i]$

Where:

COS	=	Corporate Survival
PLC	=	Product-life Cycle Strategy
PPS	=	Product Portfolio Strategy
PCD	=	Porter's Competition Determinants
α_o	=	Regression Constant
β1, β2, β3	=	Regression Co-efficient
μI	=	Error term
Log	=	Logarithm Transformation

The data generated for the study were tested using the regression analysis, with the aid of the Statistical Package for Social Science (SPSS) Version 17.

Data Analysis and Results

The analysis of data and results obtained are presented in this section. In testing the first hypothesis, which stated that product-life cycle strategy has no significant impact on the survival of consumer goods manufacturing companies, data on product-life cycle strategy were related with data on corporate survival. The result obtained is presented in table I below.

Table 1: Impact of Product-life Cycle Strategy on Corporate Survival

Statistical Variables	Values
Regression Constant (α)	4305129.124
Regression Co-efficient (β)	0.247
Correlation Co-efficient (R)	0.718
Co-efficient of Determination (R^2)	0.516
p-value	0.037
t-statistic	2.318

Source: SPSS Version 17 Windows Output

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The result presented in the table above revealed a correlation co-efficient (R) of 0.718, which indicates a strong impart of product-life cycle strategy on corporate survival. For 1% increase in the strength of product-life strategy, corporate survival increases by 24.7%. The co-efficient of determination (R^2) of 0.516 suggests that about 51.6% change in corporate survival is attributable to product-life cycle strategy. The p-value (0.037) and t-statistic (2.318) indicate a significant impact. This implies that product-life cycle strategy has a significant impact on corporate survival on consumer goods manufacturing companies.

In testing the second hypothesis, which states that product-portfolio strategy has no significant effect on corporate survival of consumer goods manufacturing companies, data on product portfolio strategy were related with data on corporate survival. The result obtained is presented in table 2 below.

Table 2: Effect of Product Portfolio strategy on corporate survival

Statistical Variables	**Values**
Regression Constant (α)	51E.167
Regression Co-efficient (β)	0.286
Correlation Co-efficient (R)	0.864
Co-efficient of Determination (R^2)	0.746
p-value	0.019
t-statistic	2.836

Source: SPSS Version 17 Windows Output

Table 2 shows a correlation co-efficient (R) of 0.864, which indicates a high effect of product-portfolio strategy on corporate survival. From 1% increase in the strength of product-portfolio, strategy corporate survival increases by 28.6%. The co-efficient of determination (R^2) of 0.746 suggests that about 51.6% variance in corporate survival is attributable to product portfolio strategy. The p-value (0.019) and t-statistic (2.836) suggest a significant effect. This implies that product portfolio strategy has a significant effect on corporate survival on consumer goods manufacturing companies.

In testing the third hypothesis, which states that Porter competition determinant has a significant influence on corporate survival of consumer goods manufacturing companies, data on product portfolio strategy were related with data on corporate survival. The result obtained is presented in table 3 below.

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Table 3: Influence of Porter Competition Determinant on Corporate Survival

Statistical Variables	**Values**
Regression Constant (α)	2918486.344
Regression Co-efficient (β)	0.179
Correlation Co-efficient (R)	0.685
Co-efficient of Determination (R^2)	0.469
p-value	0.041
t-statistic	2.086

Source: SPSS Version 17 Windows Output

The result presented in the table above revealed a correlation co-efficient (R) of 0.685, which indicate a high association between Porter Competition Determinant and Corporate Survival. For 15 increase in the strength of Porter Competition Determinant, corporate survival increase by 17.95. The co-efficient of determinant (R2) of 0.469, suggests that about 46.9% variation in corporate survival is attributable to Porter Competition Determinants. The p-value (0.941) and t-statistic (2.086) suggest a significant effect. This implies that Porter Competition Determinant has a significant influence on corporate survival of consumer goods manufacturing companies.

Discussion of Findings

From the result of our analysis, it was revealed that the strength of strategic management of consumer goods manufacturing companies in Rivers State is low, probably because of the problems of its implementation. This agrees with Whellright (1998) whose study revealed a similar result in Jordan.

The study equally revealed that product-life cycle strategy has a significant impact on the survival of consumer goods manufacturing companies. This finding is in concordance with the view of Tuloli (1998) and Ukpabio (2008) who both asserted that product-life cycle is a viable weapon for achieving corporate survival. Also, it was discovered that the strength of product Portfolio strategy is low, though a significant relationship exists between the product portfolio strategy and corporate survival. Our finding agrees with Staint et al (1997) whose study also indicated a positive significant relationship between the variables.

Finally, the study indicated that the Porter's Competition Determinant has a significant influence on corporate survival. The work of Tones (2005) led credence to

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this result. Tones (2005) confirmed that Porter's Competition Determinant contributes significantly to the growth and survival of organizations in Mexico.

Conclusion

Managing activities internal to the firm is only part of the modern executive's responsibilities. The managers of consumer goods manufacturing companies also must respond to the challenges posed by the firm's immediate and remote external environments. The immediate external environment includes competitors, suppliers, increasingly scarce resources, government agencies and their ever more numerous regulations, and customers whose preferences often shift inexplicably. The remote external environment comprises economic and social conditions, political priorities, and technological developments, all of which must be anticipated, monitored, assessed, and incorporated into the executives' decision making. However, managers of consumer goods manufacturing companies are often compelled to subordinate the demands of the firm's internal activities and external environment to the multiple and often inconsistent requirements of its stakeholders – owners, top managers, employees, customers, communities, and the country at large. To deal effectively with everything that affects profitability and corporate survival, executives employ strategic initiatives. They believe that the approach will position it optimally in its competitive environment y maximizing the anticipation of environmental change and of unexpected internal and competitive demands.

The strategic management model as presented in this study serves as the structure for understanding and integrating all the major phases of strategy formulation and implementation. In a nutshell, the strategic management is on the premise that a company's mission can be best achieved through a systematic and comprehensive assessment of both its internal capabilities and its external environment.

Recommendations

Based on the above findings, the following recommendations are hereby advanced for this study:

(i) Consumer goods manufacturing companies should endeavour to make good use of the strategic management initiatives to ensure corporate survival.
(ii) Managers are advised to demonstrate personal commitment and discipline in the implementation of corporate strategies.
(iii) Every members of the organization should be integrated into the strategic initiatives.

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Questionnaire

	Product-life Cycle Strategy	**SA (5)**	**A (4)**	**D(3)**	**SD(2)**	**U(1)**
1.	Intensive promotional message at the introduction stage of our product					
2	Development of new marketing channels to gain additional market – product exposure					
3.	Manipulating the marketing mix variables to suit the present condition					
4.	Creating on international market for the product at a lower price					
	Product Portfolio Strategy					
1.	Concentration of existing product in the existing market					
2	Development of new product in the existing market					
3.	Search for new market for existing product					
4.	Designing new product for new market					
	Porter's Competition Determinants					
1.	Relative powers of suppliers					
2	Relative powers of customers					
3.	Threats of new entrants					
4.	Degree of product substitute					
	Corporate Survival					
1.	Consistency in profit trends					
2.	Increase market share					
3.	Increase in sales revenue					
4.	High customers patronage					

Note:

SA = Strongly Agree
A = Agree
D = Disagree
SD = Strongly Disagree
U = Undecided

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