

EFFECT OF COMPANY STRATEGIES ON ORGANIZATIONAL PERFORMANCE IN NIGERIAN CONSTRUCTION INDUSTRY

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ABSTRACT

Changes in the environment such as customers' preferences and choices has put the companies on toes with each firm fighting for its survival and all is based on strategies choice and their implementation. Thus, Nigerian construction companies have to adopt and apply appropriate strategies to be more competitive in this industry and get success in their businesses. Hence, the aim of this study was to investigate the effect of company strategies on organisational performance in Nigerian construction industry. The conceptual framework was provided to give a guideline on how both independent and dependent variables will interact in other to get the impact of companies' strategies on performance. Primary data with the aid of a structured questionnaire was used to elicit information from respondents. The data collected were analyzed using both descriptive such as percentages and mean and inferential statistics of regression analysis was used to test the hypotheses. The findings revealed that construction companies adopt several company strategies at various levels; however, the strategies are generally applied moderately in the firms. The study deduced that both growth strategies and generic strategies have positive significant impact on performance. The study recommended that policy makers and the management of the construction firms should adopt a mix of the competitive strategies since both have positive impact on performance and there is need for companies to intensify their applications since it will spur performance in the organization.

Keywords: Company Strategies, Organisational Performance, Construction Industry, Customer Satisfaction.

INTRODUCTION

The quest for firms to attain leading positions in terms of performance has led to vigorous search for markets, which leads to stiff competition among firms offering the same product in the same industry, both locally and internationally (Fredrick, 2017). Consequently, heightened competitions has been witnessed in the 21st century that no firm can find comfort in lagging behind of which construction firms are not left behind. Globalization has brought the competition closer home and this has brought with it too much pressure on the management of such firms to develop competitive strategies that will enable the firm to achieve effective and efficient operations that will have a positive implication on their performance. In addition, changes in the environment such as customers' preferences and choices has put the companies on toes with each firm fighting for its survival and all is based on choice of strategies and their implementation. A thorough knowledge of these changes could help managers identify and understand the opportunities and threats facing organizations and then determine suitable strategies in terms of the strengths and weaknesses of their companies (Sunday et al., 2013).

Oyewobi, Ibironke, Ganiyu and Ola-Awo (2011) noted that the Nigerian construction industry is an ailing one because its performance curve is abnormal. For example, the performance problem of time overrun in the Nigerian construction industry has become commonplace. Seven out of ten projects carried out in Nigeria suffered delay in their execution, which ultimately leads to extra cost to the client (Patience et al., 2017). Ayodele and Alabi (2011) found out that poor scheduling of project operations is a major cause of project delay in Nigeria. Ogunsemi and Jagboro (2006), noted that one of the most serious problems the Nigerian construction industry is faced with, is the project cost overrun, with attendant consequence of completing projects at sums higher than the initial sum. Economic resources are often wasted in cost and time overruns substandard work and shoddy workmanship.

Organizations have been trying to increase their efficiency (efficiency) and improve their performance in order to achieve their goals. Success has been the ultimate goal of every business activity (Chan, Scott & Lam, 2002). It is highly important for the organizations to be successful in their businesses in order to survive in competitive business environments such as construction. Application of different strategies for survival by construction companies in Nigeria is paramount if they want to remain relevant. Thus, construction companies have to adopt and apply appropriate strategies to be more competitive in this industry and get success in their businesses. The need to identify the weak points and search solutions to improve performance of construction organization is extremely crucial. The strategies will help to benchmark itself in growth and performance. Based on this background, the paper examines effect of company strategies on organisational (organizational) performance in Nigerian construction industry. The paper structure begins with a review of existing literature, develops a conceptual model and research hypotheses for testing. The research methods and methodology are explained before delving into the presentation and discussion of the research findings. Finally, the paper outlines the conclusion from the research.

Company Strategies

It includes the measures taken to give an expansive picture of what must be accomplished and in which order, including how to sort out a framework fit for accomplishing the general objectives. Strategy can be defined as action taken by senior management of a firm, after the resources, skills and environmental risks of the firm have been considered (John, 2016).

Strategy can be described as the comprehensive program for establishing and accomplishing an organization's objectives as well as organization's response to its environment over time. The strategies adopted by companies in their operations varies and it is based on their working conditions. However, this paper will be based on two types: Generic and growth strategies.

Generic strategies: The generic strategies of a firm differentiate on how a firm is able to achieve success from the rest (Vivek, 2017). It relies on a static picture of competition and thus emphasize on the role of innovation and importance of industry structure. There are three different types and they include cost leadership strategy, differentiation strategy and focus strategy. The cost leadership differentiates a firm from the rivals due to the price advantages and helps them grow higher in sales. As there is a lesser margin, the quantity of production is higher which results in more of profits and rise in market shares. Differentiation strategy of a product or service aims to create uniqueness in the product and this helps the product in differentiating it from the rest of its rivals. Firms can differentiate their products in different ways: Product features, linkages between functions, timing, location, product mix, links with other firms, product customization, product complexity, consumer marketing, distribution channels, service and support and reputation. Firms focus on a particular market niche and company resources are

devoted to maintain market leadership in that niche.

Growth strategy: Growth strategies deal with the expansion and growth of existing assets and improving productivity while developing the position of the company in the market. Ignor as cited by Vivek (2017) provided a grid that focused on organizational available and potential stock and market (clients) to indicate possible growth strategy. Ignor provides four one of a kind corporate technique:

Market penetration: The firm tries to expand with their existing merchandise in their presence market sections, intending to expand its percentage of the market proportion.

Market advancement: Company looking for increment with the guide of focusing its presence merchandise to new market division.

Product improvement: The organization grows new stock focused on its presence market portion and broadening.

Diversification: The company develops new methods in enhancing into new ventures by growing new items for products spanning into fresh territories.

Organisation Performance

One of the most imperative factors within management studies is organizational performance since an organisation can only develop and advance through better performance and is apparently the most pivotal indicator of the competitive technique adopted. Organisational performance is commonly conceptualised in simple terms as the actual output or results of an organisation as measured against its intended outputs (or goals and objectives) (Short, Ketchen, Palmer & Hult, 2007). Iravo, Ongori & Munene (2013) state that one of the important questions in business has been why some organizations succeed and why others fail and this has influenced a study on the drivers of organizational performance. Olanipekun, Mathew, Akanni, Arulogun and Rabi (2015), asserts that for an organization to be successful it has to record high returns and identify performance drivers from the top to the bottom of the organization.

There are various parameters that an organization performance can be viewed. Kiragu as cited by Asenge and Gbande (2019) highlights performance in terms of four perspectives, which are the financial, customer, internal processes and innovativeness. Rachmad, Sabarudin & Mualim (2015), measured performance on the basis of: Financial perspective with regard to increased returns, sales and improved cost effectiveness; customer perspective in terms of improvements in confidence and cost reduction strategies; business process perspective with regard to an increase in service quality and integrated customer service and learning and commitment perspective including an increased productivity and personnel commitment. Conspicuously, clients' views, opinions, decisions and desires are the most important aspect of project success that must be achieved by the project team. From the review of different authors, two parameters seems pronounced: Financial and customer satisfaction.

Conceptual Framework of the Study

The study will apply the conceptual framework in Figure 1 to illustrate how various variable will participate in the study. The conceptual framework will provide a guideline on how both independent and dependent variables will interact in other to get the impact of companies' strategies on performance. The generic and the growth strategies will be the independent variables while the organizational performance will be the dependent variable.



FIGURE 1
CONCEPTUAL MODEL

Postulated Hypotheses

The following hypotheses are proposed to guide the direction of the study.

- H₀₁-Generic strategies have no significant impact on organisational performance.
- H₀₂-Growth strategies have no significant impact on organisational performance.

MATERIALS AND METHODS

The study appraised the effect of company strategies on organisational (Organisational) performance in Nigerian construction industry. The study area was Enugu state due to the ongoing of massive construction of various estates in the state. The scope of this study covered contracting, consulting and consortium firms in the study area. The unit of analysis include 25 listed construction firms in Enugu state using random sampling technique. And the targeted respondents were the managers from each of the firms since they specifically manage the everyday administration of the organisations and are in a better position to analysis the impacts of companies' strategies have on the performance of the particular companies.

The primary data were collected through a well-structured questionnaire. The constructs and related variables used in the questionnaire were identified through extensive review of literature. The questionnaire administered to the respondents were divided into two sections. Section A comprised the demographical information of the respondents. Section B contained the specific questions addressing the objectives of this study. The survey questionnaire was thereafter tested in a pilot survey among academics and practitioners in the industry to evaluate content validity and ensure the reliability of the questionnaire. According to Kvale (2007), pilot surveys helps in the identification errors, restrictions or other weaknesses within a questionnaire survey and allows researchers make necessary refinements prior to their application.

The data collected were analysed using percentage and mean ranking. Percentage was used to examine the distribution of demographic information of the professionals. Mean ranking shows the average responses of the respondents to various questions raised by the study and score value above 2.5 on scale of 5.0 was considered high. The hypotheses were tested using regression analysis.

RESULTS AND DISCUSSION

Table 1 showed the years of establishment of firms under survey, educational and professional qualifications and work experience of the surveyed respondents. This is to establish the reliability of the data and information supplied by the respondents.

Table 1 DEMOGRAPHIC INFORMATION OF THE RESPONDENTS AND FIRMS		
	Frequency	Percentage (%)
Firms' years of establishment		
<10	5	20
11-20	18	72
Above 20	2	8
Total	25	100
Respondents' designation		
Architects	6	24
Quantity surveying	4	16
Builders	3	12
Engineers	10	40
Others	2	8
Total	25	100
Educational qualification		
OND	Nil	Nil
HND	8	32
B.Sc.	10	40
M.Sc.	6	24
Ph.D	1	4
Total	25	100
Professional qualification		
MNIA	5	20
MNIQS	4	16
MNIOB	3	12
MNSE	9	36
Others	3	12
Total	25	100
Work experience		
<10 years	9	36
11-29 years	11	44
>20 years	5	20
Total	25	100

The year of establishment of the firms was averaged at 11 years. This means that majority of the firms with 72% have been in existence for 11 years. Table 1 also revealed that 20% of the respondents were members of the Nigerian Institute of Architects, 16% were members of the

Nigerian Institute of Quantity Surveyors and 12% and 36% were members of the Nigerian Institute of Building and Nigerian Society of Engineers respectively. Furthermore, 32% of the respondents had minimum of HND, 40% had B.Sc. and 40% had M.Sc. while 4% had Ph.D. as their highest educational qualification with more than 64% of them having more than 10 years of working experience. In summary, the results shown in Table 1 above had justified the fact that the data for this study had been obtained from qualified firms with reasonable years of existence and majority of the respondents have adequate academic and professional qualifications and as such can provide informed opinion about the subject matter.

Table 2			
IMPLEMENTATION OF ORGANISATIONAL STRATEGIES BY THE FIRMS			
S/No	Strategies	Mean	Rank
Growth strategies			
1	Market penetration	3.55	4
2	Market advancement	4.42	2
3	Product improvement	4.54	1
4	Diversification	2.66	7
	Overall Mean	3.79	
Generic strategies			
5	Cost leadership strategy	4.2	3
6	Differentiation strategy	3.21	5
7	Focus strategy	2.95	6
	Overall Mean	3.45	
Note: N/B: Ranking was done on a 5 point scale: 1-Not at all; 2-Little extent; 3-Moderate extent; 4-Great extent and 5-very great extent			

From Table 2 it was discovered that the overall assessment shows that the frequently used strategies were product improvement and market advancement with mean values of 4.54 and 4.42 respectively. The least used include diversification with mean value of 2.66. This result shows that construction firms channel their effects on product improvement and market advancement. Growth strategies than generic strategies. This result supports Tugce (2013) who opined that growth strategies are in general desirable for managers because they create a positive image of the company in the eyes of the stakeholders. The overall mean shows that the strategies are applied moderately in the firms with growth and generic strategies 3.79 and 3.45 respectively.

Hypotheses Testing

Hypothesis One

H₀: Generic strategies have no significant impact on organisational performance.

Decision Rule

Chart 1: Accept the null hypothesis if the probability value is above 0.05 level of significance otherwise reject the null hypothesis.

Dependent variable: Organisational Performance
 Method: Least squares
 Date: 04/01/20 Time: 02:42
 Sample (adjusted): 2000 2019
 Included observations: 19 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.336154	0.080727	28.93907	0
Cost	0.002801	0.003395	2.824851	0.0160
Diff	0.000685	0.001376	4.498015	0.0221
Focus	-0.578965	0.023567	2.023567	0.0067
R-squared	0.79581	Mean dependent var		8.268007
Adjusted R-squared	0.995251	S.D. dependent var		2.239233
S.E. of regression	0.154315	Akaike info criterion		-0.76807
Sum squared resid	0.714398	Schwarz criterion		-0.54588
Log likelihood	18.44126	Hannan-Quinn criter.		-0.69137
F-statistic	1782.277	Durbin-Watson stat		0.635117
Prob (F-statistic)	0			
Note: Where C is constance; cost is cost leadership and diff is differentiation				

From the result of the regression analysis, using the rule of thumb, the value of the t-statistics is above 2 indicating the need to reject the null hypothesis. More so, judging from the probability which is less than 0.05 level of significance for cost, differentiation and focus, which are component of generic strategies, justifies our findings on the rule of thumb that the null hypothesis should be rejected. Hence, the researcher firmly conclude that generic strategies have significant impact on organisational performance within the period under investigation.

Hypothesis Two

H₀: Growth Strategies have no significant impact on Organisational performance.

Decision Rule

Chart 2: Accept the null hypothesis if the probability value is above .05 level of significance otherwise reject the null hypothesis.

Dependent variable: Organisational performance
 Method: Least squares
 Date: 04/01/20 Time: 16:16
 Sample (adjusted): 2000 2019
 Included observations: 36 after adjustments

Table 4				
PROBABILITY VALUE 0.05				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	107.5485	215.8385	0.498282	0.6219
MP	3.443096	4.673184	2.736777	0.007
MA	0.117578	0.040919	2.873429	0.0073
PI	0.118141	0.060439	4.954716	0.04
DIV	0.342672	0.754876	3.986541	0.0012
R-squared	0.298748	Mean dependent var		44.22111
Adjusted R-squared	0.181872	S.D. dependent var		1094.08
S.E. of regression	989.5999	Akaike info criterion		16.78349
Sum squared resid	29379237	Schwarz criterion		17.04741
Log likelihood	-296.103	Hannan-Quinn criter.		16.87561
F-statistic	2.556122	Durbin-Watson stat		2.08652
Prob(F-statistic)	0.048422			
Note: Where C is constance and MP is market penetration; MA is market advancement; PI is product improvement and DIV is diversification				

Looking at the result of the regression analysis above, all the independent variables (IMP, MA, PI and DIV) has positive relationship on organisational performace such that an increase in these variables will lead to a corresponding increase in the organisational performance. The significance of these independent variables is being tested using the rule of thumb and the probability value, the value of the t-statistics is above 2 indicating the need to reject the null hypothesis. More so, judging from the probability which is less than 0.05 level of significance for the four variables; MP, MA, PT and DIV, justifies our findings on the rule of thumb that the null hypothesis should be rejected. Hence, the researcher firmly conclude that growth strategies have significant impact on organisational performance within the period under investigation.

CONCLUSION

The study established that construction companies adopt several company strategies at various levels; however, the strategies are generally applied moderately in the firms. The industry needs to devise more and better strategies in determining what is important to their clients in order to optimise client investments and opportunities and equally maximizing their profit. Clear strategy creation and implementation are key points for attaining such outcomes. The study investigates the effect of company strategies on organisational performance in Nigerian construction industry. Competitive strategies adopted include, market penetration, market advancement, product improvement, diversification, cost leadership, differentiation and focus strategy. It also deduced that both growth strategies (market penetration, market advancement, product improvement and diversification) and generic strategies (cost leadership, differentiation and focus) have positive significant impact on performance.

The study recommends that company policy makers and the management of the construction firms should adopt a mix of the competitive strategies since both have positive impact on performance. It is also important for company owners and managers to understand the strategic planning factors in order to establish how to apply each factor to improve the performance of their businesses. Finally, there is need for companies to intensify their applications since it will spur performance in the organization. The finding is in line with the

findings by Fredrick that established that competitive strategies is a major factor that plays a vital part in deciding firm's performance.

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