Journal of Economics and Public Finance
ISSN 2377-1038 (Print) ISSN 2377-1046 (Online)
Vol. 3, No. 3, 2017
www.scholink.org/ojs/index.php/jepf

Strategic Orientation and Recessed Economy: Options for Consumer Goods Manufacturing Sub-Sector in Nigeria

Onyeizugbe Chinedu Uzochukwu[1*], Orogbu Lilian Obiageli[1] & Chinwuko Obiageli Blessing[2]

[1] Department of Business Administration, Nnamdi Azikiwe University, Awka, Nigeria

[*] Onyeizugbe Chinedu Uzochukwu, E-mail: edu_phd@yahoo.com

Received: June 4, 2017 Accepted: June 15, 2017 Online Published: June 25, 2017

doi:10.22158/jepf.v3n3p323 URL: http://dx.doi.org/10.22158/jepf.v3n3p323

Abstract

Prolonged economic recession occasioned by the collapse of the world oil market from the early 1980 and the attendant sharp fall in foreign exchange earnings have adversely affected economic growth and development in Nigeria. This study was necessitated to identify the extent of relationship that exists between strategic orientation and recessed economy: options for consumer goods manufacturing sub-sector in Nigeria. Ex-Post Facto research design was employed for the study and simple regression analysis was adopted in analyzing the data. The findings of the study revealed that entrepreneurial orientation has a significant positive relationship with economic development. This explains that an increase in strategic orientation will lead to a resultant increase in economic development and vice versa. The study therefore recommended that government should key in by reversing the poor performance of consumer goods manufacturing sector in providing incentives for the firms to become more export oriented and improve the already established structural reforms in order to improve transparency and stability of both financial system, and fiscal activities to restore confidence in the economy during recession.

Keywords

Economic Development, Entrepreneurial Orientation, Recessed Economy, Strategic Orientation

1. Introduction

Nigeria's business environment is situated in the midst of a challenging economic landscape and intense competition. Therefore, entrepreneurs are increasingly seeking for strategic approaches to accomplish, improve and sustain organizational performance and competitive advantage. In the light of the above, Nigeria has employed several strategies which were aimed at enhancing the productivity of the sector in order to bring about economic growth and development. For instance, the country adopted the import substitution industrialization strategy during the First National Development Plan (1962-1968) which aimed at reducing the volume of imports of finished goods and encouraging foreign exchange savings by producing locally (http://www.CBNpublication, 2003). The country consolidated her import substitution industrialization strategy during Second National Development Plan period (1970-1974) which actually fell within oil boom era. At this time, manufacturing activities were so organized to depend on imported inputs because of the weak technological base of the economy. However, as a result of the collapse of the world oil market in the early 1980s, there was a severe reduction in the earnings from oil exports. Consequently, the import-dependent industrial structure that had emerged became unsustainable owing to the insufficient earnings from oil exports which could not adequately pay for the huge import bills. Hence, Kayode (1989) describes industry and in particular the manufacturing sub-sector, as the heart of the economy.

Recession is regarded as an opportunity to implement strategic change that would otherwise not have occurred. Such strategies are risky and many firms are likely to be too preoccupied with short-term survival to think about innovation and growth, or lack the resources to implement such strategies effectively. Recession is a significant decline in the economic activity spread across the country, lasting more than a few months, normally visible in real Gross Domestic Product (GDP) growth, real personal income, employment (non-farm payrolls), industrial production, and wholesale-retail sales. A recession is when the economy declines significantly for at least six months. That means there is a drop in the following five economic indicators: real GDP, Income, Employment, Manufacturing, and retail sales; People often say a recession is when the GDP growth rate is negative for two consecutive quarters or more. Nigeria's economic situation is in "its worst possible time", according to Finance Minister Kemi Adeosun (http://www.vanguardngr.com/2017/01/2016-review-manufacturing-sector-groans-recession-weight/). The manufacturing sector was one of those badly hit by the economic recession in the country". The inflation rate shrank at 17.1%; the GDP had contracted by 2.06%, the economy by 0.36%. The National Bureau of Statistics (NBS, 2016) has released a report on Nigeria's economy in the second quarter, including the Gross Domestic Product (GDP), Inflation, Employment, and Unemployment, Capital Importation and other key fundamentals. Oil price has crashed to less than $50 per barrel; Nigeria's production output has tumbled over 400,000 barrels due to militancy activities in Niger Delta region.

The broad objective of the study is to identify the extent to which strategic orientation relates to consumer goods manufacturing sub-sector in a recessed economy. Specifically, the study seeks to identify the extent of relationship that exists between entrepreneurial orientation (innovation, technology, risk) and economic development (inflation rate, real GDP) in consumer goods manufacturing sector.

The research question is to ascertain to what extent does entrepreneurial orientation (innovation, technology, risk) relates with economy development (inflation rate, real GDP) in consumer goods manufacturing sector?

2. Review of Related Literature

2.1 Conceptual Review

Venkatraman (1989) first used the term strategic orientation for his measurement scale of a particular strategy construct. He defines strategic orientations through the dimensions of strategic aggressiveness, analysis, defensiveness, futurity, pro-activeness and riskiness and suggests that the strategic orientation of an organization may be measured through managerial perceptions and beliefs on the organizational processes on these six dimensions. For Venkatraman (1989), strategic orientation was a device to assess and measure the key dimensions of business level strategy which focuses on general strategic process traits, and many of the dimensions relate to the concept of entrepreneurial orientation (entrepreneurial vs. conservative strategic posture) as introduced by Miller (1983). Strategic orientationis commonly used as generic, umbrella term to describe a number of different constructs such as market orientation, entrepreneurial orientation, learning orientation and technology orientation. Each of these orientations suggests a different mechanism for adaptation and thus, responds differently to the question of how firms should compete within their chosen product-market segments. Gatignon and Xuerebs (1997) conceptualize and define strategic orientation as a multidimensional construct that captures an organization’s relative emphasis in understanding and managing the environmental forces acting on it. These forces include; upstream suppliers of product inputs, including intellectual capital and innovations; downstream customers; and current and potential competitors. This multidimensional strategic orientation construct accommodates the firm’s orientation toward the variety of external forces that likely affect its performance. Liu and Revell (2009) define the strategic orientation as a concept widely used in research on the management of strategy, entrepreneurship and marketing. A strategic orientation of a company reflects a strategic direction which is implemented by the company to create proper behavior for the continuously superior performance in business. The definition of strategic orientation explained by Grawe (2009) covers the orientation of market, entrepreneurship, customer, cost, innovation, competitor, learning, employee and interaction.

2.2 Entrepreneurial Orientation (EO)

Entrepreneurial orientation is a strategic orientation that captures specifically entrepreneurial aspects of firms’ strategies (Bhuian et al., 2005; Covin & Slevin, 1989; Lumpkin & Dess, 1996; Hult et al., 2004; Wiklund, 1999; Wiklund & Shepherd, 2005). The entrepreneurial tendencies toward risk taking, innovativeness and pro-activeness are considered as central to entrepreneurial orientation (Miller, 1983; Covin & Slevin, 1989). The main proposition of entrepreneurial orientation is that organizations acting entrepreneurially are better able to adjust their operations in dynamic competitive environments (Covin & Slevin, 1989). Entrepreneurially-oriented organizations change and shape the environment and are willing to commit resources to exploit uncertain opportunities. They explore new and creative ideas that may lead to changes in the marketplace and do so proactively ahead of the competition in anticipation of future demand. This kind of better adjustment and shaping of the environment should have positive effects on economic development of a country. Entrepreneurial orientation is essentially a growth orientation (Covin, Green, & Slevin, 2006), referring to processes and practices that lead to "new entry"—that is start of new business, entering new markets or introducing new products into existing markets (Lumpkin & Dess, 1996). The roots of entrepreneurial orientation can be traced to the strategic choice perspective on strategy (Lumpkin & Dess, 1996), thus essentially, environment alone does not determine the success of the corporation, but strategic decision making also has an impact on it. The entrepreneurial orientation represents an entrepreneurial strategy making process and shares an interest with technology orientation in terms of interest in value creation for dynamic environments in particular. Yet, while technology orientation is about resources to develop new products and technologies, entrepreneurial orientation is related to more generic processes of adaptation, pro-activeness, innovativeness and risk taking, that may relate to the development of new technologies or products, but equally to entering new markets or seeking new customers that may be satisfied with the existing resources. Thus entrepreneurial orientation links naturally with both technology and customer orientations in dynamic environments.

- **High Inflation Rate:** One of the causes of economic recession in Nigeria is the banning of essential agricultural products with no development. The products, like tomatoes, rice, beans, and pepper were banned for import as Nigeria decided to fill the demand by itself. Nevertheless, additional removal of fuel subsidy and the banning of these products only sponsored the speculation in the stock market. It was also expected with the rise of oil prices, budget delay, and the skyrocketing rise of the households. Nigerian current inflation rates are 18.63%, that can be a record for the past ten years.
- **High-Interest Rate:** Investors are not ready to bring more money into the economy of Nigeria. The Interest rate in Nigeria is now around 27%. No money from the investors means high unemployment rates which causes the severe damage to the GDP of the country?
- **High Taxation:** Economic recession is usually a period when the Government should rethink its taxation policy and provide a better climate for investors, small businesses, and employers. Nevertheless, the murder of small business in Nigeria with high taxation and high-interest rate—leaves no chose to the aggregate demand, it is expected to be low and even lower.
- **Policy Conflict:** The conflict between economic policies gives no choice than to expect the continuance of economic recession. High-interest rate and high tax rate are considered to be the tight monetary policy measures. Still, the Government keeps telling to the public that it's the expansionary policy. The results are simple—budget deficit.
- **Stoppage of Pipeline Contracts:** The intentions of the Government were simple—to stop all bogus contracts of predecessors. That included the contracts with the Niger Delta warlords and the suspension of the Amnesty Program. That gave the militants the excuse to recommence the sabotage of the Nigerian oil assets. It caused almost the financial crisis as it provided the reduction of revenues from gas and oil plants. Should it be mentioned, that there was already a major reduction of the revenues of the crude oil due to the global price decrease for the crude oil? Nevertheless, the addition damage provided by the Niger Delta Avengers decreased the level of production from 2.2 million

barrels to 600 000 barrels. The consequences were the reduction of manufacturers output due to lack of raw materials, reduced revenues, sack of workers and withdrawal of international investments.

Economic development is a process where low income national economies are transformed into modern industrial economies. It involves qualitative and quantitative improvements in a country's economy. Political and social transformations are also included in the concept of economic development in addition to economic changes. Literally, economic development can be defined as "passage from lower to higher stage which implies change". Kindleberger and Bruce Herrick (1958) point out: "Economic development is generally defined to include developments in material welfare especially for persons with the lowest incomes, the eradication of mass poverty with its correlates of illiteracy, disease and early death, changes in the composition of inputs and output that generally include shifts in the underlying structure of production away from agriculture towards industrial activities, the organization of the economy in such a way that productive employment is general among working age population rather than the situation of a privileged minority, and the correspondingly greater participation of broad based groups in making decision about the direction, economic and otherwise, in which they should move their welfare". Economic development implies increased per capita income and reduced income inequalities and satisfaction of the people as a whole.

2.3 Theoretical Framework

This work was anchored on Innovation theory and the theory of social change. Innovation theory is said to be the application of novel ideas to products, processes, or other parts of the activities of an organization that cumulates to an increment in "value". This value is described in a wider way to include higher value added for the company and benefits to consumers or other firms. Two important definitions were identified by Schumpeter. Product innovation: the introduction on a new product or adding extra value to an existing product. Process Innovation: the introduction of a new process for producing or delivering goods and services. Schumpeter argued that innovation and technological change of a country originates from its entrepreneurs, or wild spirit. He developed the term "UnternehmerJ;eist", in German which means "entrepreneur-spirit", and asserted that "the doing of new things or the things that are already being done in a new way" stemmed directly from the efforts of entrepreneurs. The acknowledgement that firms play a vital role in innovation has led to a number of insights about the mechanisms by which firms improve and introduce new products and services. Consumer goods firms can have an innovative advantage as a result in different management structures. Innovation activity also succeeds in environments free from bureaucratic constraints. Consumer goods firms tend to promote successful researchers to management positions, at the center of their competitive strategy.

The theory of social change, argue that creative personality in an individual is characterized by high need for achievement, law, order, autonomy, and problem solving. Economic development is basically a process of ecological change brought about by the technological activity of individual concerned. Entrepreneur as a reactive problem solver, are interested in solving practical problems in most cases through the application of creativity. At times, entrepreneurs are motivated by some internal forces as a duty to do something unique that will contributes to economic development.

3. Methods

This study made use of the Ex-Post Facto research design. This is concerned with assessing relationships between two or more phenomena. The relationship measured is a statement about the degree of association between the variables of interest.

The researcher purposively picked a sample of Fifteen firms from the quoted consumer goods manufacturing sub-sector based on the availability of their financial statement from 2011-2016; only companies with consistent financial statement on the NSE were used and they are 15 in number. The analysis covered the period of 2011-2016.

4. Discussion

The study revealed that entrepreneurial orientation has a positive relationship with economic development. From Table 2 entrepreneurial orientation had a positive Beta value of .422 with p value equal to .000. This explains that an increase in strategic orientation will lead to a resultant increase in economic development and vice versa. Thus, the strength of the analysis and findings conclude that strategic orientation relates to recessed economy.

This finding aligns with the finding of Mwangi and Ngugi (2014) who explore the dimensions of EO (innovativeness, risk taking, pro-activeness, and entrepreneurial managerial competence have a significant positive influence on growth of Micro and Small Enterprises. It is also discovered that medium scale enterprises owners should be open and keen to take up EO at higher levels in order to bolster their growth, competitiveness, profitability and survival. As well, they should innovate to exploit change as an opportunity for economic growth.

5. Conclusion

The role of the organization's strategic orientation on recessed economy is central to the performance of firms. Drawing from the insight of the findings, the study concludes that strategic orientation decomposed entrepreneurial orientation has a significant positive relationship with recessed economy decomposed on economic development.

References

Abiodun, A. O., & Ibidunni, A. S. (2014). Strategic Orientation and Performance of Agro-based Firms in Transition Economy. *African Journal of Business Management*, *8*(13), 495-501. https://doi.org/10.5897/AJBM2013.7287

Akande, O. O. (2014). Entrepreneurial Business Orientation and Economic Survival of Nigerians. *International Review of Management and Business Research*, *3*(2), 1254-1263.

Anyadike, N., Emeh, I. E. J., & Ukah, F. O. (2012). Entrepreneurship Development and Employment Generation in Nigeria: Problems and Prospects. *Universal Journal of Education and General Studies*, *1*(4), 88-102.

Bhuian, S. N., Menguc, B., & Bell, S. J. (2005). Just Entrepreneurial Enough: The Moderating Effect of Entrepreneurship on the Relationship between Market Orientation and Performance. *Journal of Business Research*, *58*(1), 9-17. https://doi.org/10.1016/S0148-2963(03)00074-2

Covin, J. C., & Slevin, D. P. (1989). Strategic Management of Small Firms in Hostile and Benign Environments. *Strategic Management Journal*, 75-87. https://doi.org/10.1002/smj.4250100107

Gatignon, H., & Xuereb, J. M. (1997). Strategic Orientation of the Firm and New Product Performance. *Journal of Marketing Research, 34*, 77-90. https://doi.org/10.2307/3152066

Grawe, S. J. (2009). *The Relationship Between Strategic Orientation, Service Innovation, And Performance, Emerald Group Publishing Limited*.

Hult, G. T., Hurley, R. F., & Knight, G. A. (2004). Innovativeness: Its Anticedents and Impact on Business Performance. *Industrial Marketing Management*, *33*(5), 429-438. https://doi.org/10.1016/j.indmarman.2003.08.015

Kayode, M. O. (1989). *Nigeria since Independence: The first 25 years*. Ibadan, Nigeria: Heinemann Books Ltd.

Lumpkin, G. T., & Dess, G. G. (1996). Clarifying the Entrepreneurial Orientation Construct and Linking It to Performance. *Academy of Management Review*, *21*(1), 135-172.

Miller, D. (1983). The Correlates of Entrepreneurship in Three Types of Firms. *Management Science*, 770-791. https://doi.org/10.1287/mnsc.29.7.770

Mwangi, M. M. A., & Ngugi, K. (2014). Influence of Entrepreneurial Orientation on Growth of Micro and Small Entreprises in Kerugoya, Kenya. *European Journal of Business Management*, *1*(11), 417-438.

Ogunkoya, O. A., & Shodiya, O. A. (2013). Strategic Orientation and Organisational Performance: A Study of the African Textile Industry. *Singaporean Journal of Business Economics and Management Studies*, *2*(4), 1-8. https://doi.org/10.12816/0003866

Venkataraman, S. (1997). *The Distinctive Domain of Entrepreneurship Research*. London: Jai Press.

Wiklund, J. (1999). The Sustainability of the Entrepreneurial Orientation-Performance Relationship. *Entrepreneurship Theory and Practice*, *24*(1), 37-48.

Wiklund, J., & Shepherd, D. (2003). Knowledge-based Resources, Entrepreneurial Orientation, and the Performance of Small and Medium-Sized Businesses. *Strategic Management Journal*, 1307-1314. https://doi.org/10.1002/smj.360