Effect of Strategic Management Process on the Financial Performance of Manufacturing Firms

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ABSTRACT

This study assessed the effect of strategic management on the financial process of manufacturing companies, focusing on Oyo State of Nigeria. The 249 manufacturing companies in Oyo State, as registered with the Manufacturers Association of Nigeria (MAN), Ibadan, Oyo State, Nigeria, as at 1st November, 2016, formed the population of study. A sample of 152 manufacturing companies, representing 61% of the population was randomly selected for the study using a combined purposive and systematic random sampling techniques. The survey research design was used and data was collected through the use of questionnaire and structured interviews in the selected enterprises. The data collected were analysed using Analysis of Variances (ANOVA), correlation and descriptive statistics (F 18.619, $p < 0.005$).The study revealed that strategic management has significant effect on the financial process of manufacturing firms.

Key Words: Strategic Management, Financial Process, Manufacturing Firms, Business Environment, Gross National Product.

1 Introduction:

As business environments become increasingly complex and its dynamics change at a fast pace, the strategic management process is applied by organizations to make the internal and external environments more manageable and the business more sustainably competitive. This is of particular importance to manufacturing firms which play significant roles in the economic and social lives of any country. Apart from providing employment and the numerous consumption products, manufacturing companies contribute significantly to the countries' Gross National Product (GNP). They produce goods for export to earn foreign exchange and therefore help to improve the balance of payments position.

According to Monday, Akinola, Ologbenla and Aladeraji (2015), manufacturing companies today operate in increasingly hostile business environments that are characterized by increase in global competition, short product life cycle, technological change, and customer demands for greater product diversity. These companies must therefore look for ways to maintain a sustainable competitive position by continuously looking for areas of product improvements, and differentiating themselves from their competitors to attract and retain more customers. An important tool that manufacturing companies need to use is strategic management. This will enable them to be able to compete more successfully in the present day dynamic and competitive business environment.

A business organization can assess its performance using the financial and non-financial measures (Monday, et al, 2015). Financial process involves all the financial measures of performance which includes profit, return on assets, return on investment, return on sales, average payment and collection period, earnings per share and shareholder wealth maximisation. Non-financial measures focus on issues pertaining to customer satisfaction and customer referral rates, delivery time, waiting time and employee turnover. Non-financial measures of performance are found to be subjective Hitherto, however, financial measures of performance remains an objective, simple to compute and easy to understand metric of measuring corporate performance, this is in spite of its major drawback that it is historical and are sometimes not readily available in the public domain (Monday, et al, 2015).

Kazmi, 2008 defined Strategic Management as the dynamic process of formulation, implementation, evaluation and control of strategies to realize the organization's strategic intent. He described the model as involving four basic elements: establishment of strategic intent, strategy formulation, strategy implementation and evaluation and control. Strategic Management is also defined as the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objectives. The purpose of strategic management is to exploit and create new and different opportunities for tomorrow (David 2011).

Strategic management involves the process of making decision, planning, coordinating and taking some actions by the top managers of a company in order to achieve set goals and objectives. Decisions are of little use unless they are acted upon. Firms must take the necessary actions to implement their strategies. This requires top managers to allocate the necessary resources and to design the organization to bring the intended strategies to reality (Dess, Lumpkin, & Marilyn, 2005). Because it involves long-term, future-oriented, complex decision making and requires considerable resources, top-management participation is crucial.

According to Monday, et al (2015), the issues on strategic management has drawn so much attention among business practitioners and academic researchers in the last two decades as globalization came fully into limelight. As more industries become global, strategic management now becomes an increasingly important tool to keep track of international developments and position the firm for long term competitive advantage. They observed further that in developed countries as well as in developing ones, much has been written on strategic management in form of books. However, in Nigeria, only a few empirical studies have been conducted to investigate the effect of strategic management on thefirm's financial performance.The research question is "Does strategic management have any significant effect on the financial performance of manufacturing firms?

The objective of the paper is to determine whether strategic management has any significant effect on the financial performance of manufacturing companies in Nigeria. The hypothesis to be tested

Ho "Strategic Management has no significant effect on the financial performance of manufacturing firms.

H1 "Strategic Management has significant effect on the financial performance of manufacturing firms.

2 Literature Review

2.1 Conceptual Framework.

2.1.1 Strategic Management:

Strategic Management is the dynamic process of formulation, implementation, evaluation and control of strategies to realize the organisation's strategic intent (Kazmi, 2008). As a dynamic process, strategic management is not a one-time, static or mechanistic process. It is not a rigid, step-wise collection of a few activities arranged in a sequential order. It is a continual, evolving, and iterative process. It is a continually evolving mosaic of relevant activities, with each activity being performed in any order by the managers, contingent upon the situations the managers face at any time.

2.1.2 Strategic Management Process:

Strategic management process is a method by which managers conceive of and implement a strategy that can lead to a sustainable competitive advantage (Jurevicius, 2013). According to Gomes (2010), the term 'Strategic Management Process' refers to the steps/tasks by which management converts a firm's mission, objectives and goals into a workable strategy. In a dynamic environment each firm needs to tailor its strategic management process in ways that best suit its own capabilities and situational requirements. Therefore, the Strategic Management process can be described by a number of tasks to be undertaken by the organization. This includes evolving business goals, by formulating its future mission and vision in terms of the expectations of the stake holders; setting objectives that are achievable in light of changing external factors that include regulation, competition, technology, and customers; evolving and developing a competitive strategy to achieve the mission; creating an effective organizational structure and arranging the resources to successfully carry out the strategy, and evaluating the performance so that necessary corrective measures can be taken to keep it on track to achieve the vision.

2.1.3 Models of the Strategic Management Process:

There are different models of the strategic management process. Some of them are reviewed in this study. This study is anchored on the comprehensive model of strategic management as stated by Kazmi (2008).

2.1.4 David's Model of the Strategic Management's Process

According to Jurevicius (2013), this model has seven steps: developing vision and mission; external environmental analysis; internal environmental analysis; establishing long term objectives; generating, evaluating and choosing strategies; measurement and evaluation of performance. The benefit of this model includes the fact that it shows almost all the major steps in strategic management. It also shows that the process is a continuous one and that firms may sometimes need to go a step or two backwards in the process for adjustments as the case may warrant. Its major demerit includes representing only strategy formulation stage, but not separating situation analysis from strategy selection stages. It also confuses strategy evaluation with strategy monitoring.

2.1.5 Rothaermel's The Analysis-Formulation-Implementation (AFI) Strategy Framework

This model includes analysis, formulation and implementation stages of strategic management. It has four steps, via initial analysis, external and internal analysis, business r corporate strategy formulation and strategy implementation. According to Jurevicius (2013), the model separates initial analysis from internal/external analysis. It shows that the process is a continuous one and it emphasizes the main focus of strategic management which is to gain and sustain competitive advantage. It however ignores the strategies, monitoring stage and shows only one-way process which is not so in practice.

2.1.6 Thompson's and Martin's Strategic Management Framework

According to Jurevicius (2013), this model has four main stages that answers four fundamental strategic management process questions is Where are we? Where are we going? How are we getting there and how are we doing? It has seven steps that include situation appraisal, situation assessment, clarification of objectives, formulation of corporate and competitive strategic decisions, implementation and monitoring of progress. Its main benefit is that it shows the process as a continuous activity, and it emphasizes the four fundamental strategic management process of Where are we? Where are we going? How are we getting there and how are we doing? It however has a fundamental drawback that the process is one-way which is not realistic in practice.

2.1.6 Comprehensive Model of Strategic Management identified by Kazmi, A (2008)

The conceptual framework of this study shall be based on the Comprehensive Model of Strategic Management identified by Kazmi, A (2008). This model provides that the process of strategic management consists of four different phases; each phase having a number of elements, and the total number of elements is about 20. The four phases in Strategic Management are establishment of strategic intent, formulation of strategies, implementation of strategies and strategic evaluation and control.

The first phase, establishment of strategic intent, includes five elements in the hierarchy of the objectives that the organization sets for itself. It involves creating and communicating a vision; designing a mission statement; defining the business; adopting the business model and setting of objectives. The aim of strategic management is to help the organization realize strategic intent.

The second phase of the formulation of strategies is concerned with the devising of a strategy or a few strategies. This phase is also called strategic planning. It is essentially an analytical phase in which strategists think, analyse and plan strategies. It involves seven elements: performing environmental appraisal; doing organizational appraisal; formulating corporate level strategies; formulating business level strategies; undertaking strategic analysis; exercising strategic choice and preparing strategic plan.

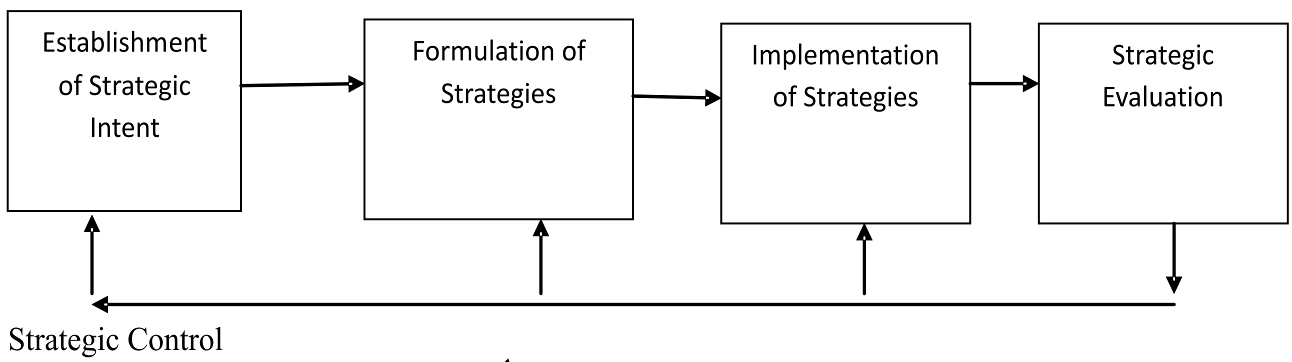
The third phase of implementation is the 'putting into action' phase. The strategies formulated are implemented through a set of five administrative and managerial actions.

These include: activating strategies; designing the structure, systems and processes; managing behavioural implementation; managing functional implementation and operationalizing strategies.

The fourth and last phase of evaluation and control involves assessing how appropriately the strategies were formulated and how effectively they are being implemented. Depending on the outcome of assessment, actions could be taken ranging from fine-tuning implementation to a drastic reformulation of strategies. This phase has three elements: performing strategic evaluation; exercising strategic control and reformulating strategies.

The four phases are sequentially linked to each other and each successive phase provides a feedback to the previous one. However, in practice, the different phases may not be clearly differentiable from each other, and in fact at the interface, may exist simultaneously. The feedback arising from each of the successive phases is meant to revise, reformulate or redefine the previous phases, if necessary.

Figure 1 The Four Phases of Strategic Management Process



Source: Adapted from Kazmi (2008)

However, in practice, the different phases of strategic management may not be clearly differentiated from each other, each phase having a number of elements. According to Kazmi (2008), the aim of strategic management is to help the organization realize the strategic intent. Strategic management is an on-going process that evaluates and controls the business and the industries in which the firm is involved, assesses its competitors, set goal and strategies to meet all existing and potential competitors and then reassesses each strategy to meet changed circumstances, new technology, new competitors, a new economic environment or a new social financial or political environment (Muogbo, 2013). It integrates strategic planning with quality (or continuous improvement) efforts, budgeting, resource planning, program evaluation, and performance monitoring and reporting. It is the process of positioning an organization so it can prosper in the future.

2.1.7 Financial Performance

Traditionally, a business organization is considered to be an economic unit, which has developed a common and unique measure of efficiency which is 'Profit', it is therefore rational to assume profit maximization as a natural business objective (Akinsulire, 2014). He further justified the appropriateness of profit maximization as a major business objective on the grounds that:

- A human being, performing any economic activity rationally, aims at utility maximization which can be easily measured in terms of profits.
- Profit maximization ensures economic natural selection and ultimately ensures that only profit maximisers survive.
- The firm, in pursuing its objective of profit maximization also maximizes social economic welfare.
- Profit maximization is a motive force to acquire monopoly powers in the imperfect product

markets.

Against this list of justifications for profit maximization as a business objective are the limitations which include

- o Accounting profits are not the same as economic profits. It can be manipulated by choices of accounting policies.
- o Accounting profits are historical measures of short term performance. There is need for a company's performance to be judged over a long term. Profits on their own take no account of the volume of investment that it has taken to earn the profit.
- o In the contemporary business setting, ownership and management are separated, leading to profit maximization being regarded as unrealistic and inappropriate.

To take care of these limitations, an expanded measure of financial performance which is not limited to profit maximization is used. This include

- Ø Return on capital employed
- Ø Profitability measured by profit margin
- Ø Earnings per share
- Ø Asset turnover
- Ø Sales
- Ø Average payment and collection period, and therefore liquidity and cash flow
- Ø Working capital management

According to Pandey (2010), the financial goal of the firm should be Shareholder Wealth Maximisation (SWM) as reflected in the market value of the firm's shares. This is taken care of in the Earnings per Share.

2.2 Theoretical Framework

The two theories on which this study is anchored are the resource-based and the contingency-based theories.

2.2.1 Resource- Based Theory:

The resource based theory emanates from the principle that the source of a firm's competitive advantage lies in its internal resources as opposed to their positioning in the external environment. This theory, asserts that competitive advantage depends on the unique resources and capabilities that a firm possess. (Barney, 1995). The resource based approach stipulates that in strategic management, the fundamental sources and drivers of firm's superior performance are mainly associated with the attributes of their resources and capabilities which are valuable and costly to copy (Peteraf and Bergen, 2003). Firm resources could be classified as physical, human, and organizational resources. The physical resources are the technology, plant and machinery, geographical location, and access to raw material. The human resources are the training, experience, judgment, intelligence and relationships present in an organization. The organizational resources are the formal systems and structures as well as informal relations among groups. Firms resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge and so on controlled by a firm that enable the firm to conceive and implement strategies that improve its efficiency and effectiveness. Barney says that resources of an organization can ultimately lead to strategic advantage if it has four characteristics, that is, if the resources are valuable, rare, costly to imitate and non-substitutable (Barney, 1995). Empirical studies over the years have generally supported the resource based theory (Barney, 2001).

2.2.2 Contingency-Based Theory: This theory, according to McWilliams, Fleet & Cory, (2002), is based on the idea that there is no one single best way or approach to manage organizations. Organisations should therefore develop managerial strategies based on the conditions and situations they are experiencing. Contingency theory allows one to analyse a situation and determine what variables influence the decision with which it is concerned. The dynamism of strategic management and high volatility of the business environment make this theory to be very relevant to this study.

2.3 Empirical Review:

A number of empirical studies have been carried out on the subject of strategic management and financial performance. However, in Nigeria, only a few empirical studies have been conducted to investigate the effect of strategic management on the firm's financial performance. Monday, Akinola, Ologbenla and Aladeraji (2015) provided evidence on the effects of strategic management on the performance of manufacturing firms in Nigeria. Using five large scale manufacturing companies in Lagos metropolis, the study relied on structured questionnaire the data collected were analysed using analysis of variance (ANOVA), correlation analysis and descriptive analysis. The result showed that strategic management had significant effects on the profitability and operational performance of the selected manufacturing firms. Dauda, Akingbade, & Akinlabi (2010) examined the influence of strategic management on corporate performance in selected small scale enterprises in Lagos, Nigeria. Cross sectional survey research method was adopted for the study. Findings of the study showed that strategic management enhances both organizational profitability and company market share.

Muogbo (2013) examined the impact of strategic management on organizational growth and development in selected manufacturing firms in Anambra State, Nigeria. The study used descriptive survey design to collect detailed and factual information. Cluster sampling was used to select equal number of manufacturing firms from each sample cluster in the study. The data collection instrument was structured questionnaire. He found out that strategic management was not yet a common business practice among manufacturing firms in Anambra State, Nigeria.

Greenley (1994) in his study to investigate whether or not an association can be identified between strategic planning and performance, identified a total of 29 relevant and empirical studies. He classified the studies into three groups, in the first group, there are nine studies where the researcher concluded that there is no association between strategic planning and company performance, there were 12 studies in the second group which supports an association between strategic planning and performance. In the third group of eight studies, it was concluded that firms with strategic management outperform firms without strategic management.

Needorn & Nwaeke (2015) conducted a study to examine the extent to which strategic management influences the survival of consumer goods manufacturing companies, using questionnaire to collect data chi-square for data analysis. The findings revealed that strategic management significantly enhanced the survival of consumer goods manufacturing companies.

Sharabati & Fuqaha (2014) investigated the effect of strategic management by using Balanced Scorecard (BSC elements) on Jordanian Pharmaceutical Manufacturing (JPM) organizations' business performance. Data were collected by means of questionnaire. Descriptive statistics, t-test, ANOVA test, correlation, simple and multiple regressions were employed. The result of the simple regression and the multiple regressions analysis shows that strategic management has direct impact on Jordanian Pharmaceutical Manufacturing Organizations'

Arasa and K'Obonyo (2012) examined the relationship between strategic planning and firm performance. Correlation analysis results indicated the existence of a strong relationship between strategic planning and firm performance. Owolabi and Makinde (2012) studied the effects of strategic planning on corporate performance using Babcock University, Nigeria as the case study. The results of the hypotheses revealed that there was a significant positive correlation between strategic planning and corporate performance.

3 Methodology.

3.1 Research Design: In collecting data for the research, the survey research design was adopted. Structured questionnaire was completed by respondents from where conclusions were drawn. Also, direct interview was conducted to compliment responses to the questionnaire. It was also a means of further confirming the information obtained from the structured questionnaire filled by the respondents.

3.2 Population of Study, Sample and Sampling Procedure:

The population of study was all the 249manufacturingcompanies in Oyo State, as registered with the Manufacturers Association of Nigeria, Ibadan, Oyo State, Nigeria as at 1st November,2016. However, based on the Taro Yamane formula for selection of sample from a given population (Yamane 1993), a sample of 153 manufacturing companies was randomly selected for study, this was further tested by the Fluid Survey Team formula which gave the same sample size of 151 firms. A simple average of 152 firms, or 61% the population was therefore selected by a combined purposive and systematic random sampling techniques. Three (3) questionnaire were administered in each of the 151 firms studied, making a total of 453 questionnaires. However, 372 questionnaires (82%) were retuned and usable. The firms studied were randomly selected from 11 out of the 33 local government areas in the state, which is the immediate vicinity of the researcher. The 11 local governments selected have about 52% (2,883,019) of the population of Oyo State (5,580,894) as per the 2006 population Nigerian population census. The state has a very high concentration of manufacturing enterprises of all categories, ranging from basic Metal Iron & Fabricated Metal Products, Chemicals & Pharmaceuticals, Pulp & Paper Products, Wood & Wood products, Pulp & Paper products, Textile & Wearing Apparels, Food & Beverages, Industrial/Domestic Plastic and Electricals & Electronics Appliances.

Oyo state in Nigeria has its capital at Ibadan, it is the immediate vicinity of the researcher. The state is bounded in the north by Kwara State, in the East by Osun State, in the by Ogun State and in the west partly by Ogun State and partly by the Republic of Benin. It has a total land area of 28,454 km2and a population of 5,580,894 (2006) It has a GDP of USS16,121 million and is ranked 4th position in the 36 states on the basis of GDP in 2010 (C-GIDD 2010)

3.3 Data Collection:

Both primary and secondary sources of data collection were used in this study. A well-structured five point Liker rating scale questionnaire was administered personally to junior and senior managers of the selected manufacturing firms. This was complemented by oral interview. Apart from this primary source of collecting relevant data, secondary sources from published financial statements of some of the manufacturing enterprises, was also used. Written sources were also used to collect information for the study. These include text books, journals, references found in books and journals, conference proceedings and also electronic sources of information, including the internet and on-line services. Lead City University's departmental, faculty and main libraries were extensively used to obtain up-to-date information and referencing materials.

3.4 Validation and Reliability of the Research Instruments:

The questionnaire was validated through careful study of the draft by two senior academic members who are experts in strategic and financial management. Also, personal interviews were conducted with some of the respondents to cross check their views with answers in the questionnaire to test for consistency. A pilot study was further conducted by administering the questionnaire among five manufacturing companies in Osun state to increase the reliability and validity of the instruments.

The data collected was analyzed using SPSS (Statistical Package for Social Sciences) version 20.0, Analysis of Variance ANOVA, descriptive analysis and correlation analysis. The hypothesis was tested at 5 degree level of significance.

4 Data Analysis and Discussion of Findings:

4.1 Socio – Demographic Characteristics of Respondents

The data analysis began with the socio-demographic characteristics of the respondents which include academic qualification, professional qualification, designation and years of working experience. The analysis on table 1 showed that all the respondents had at least a first degree or its equivalent, with management related professional training and qualifications. In addition to their academic and professional qualifications, almost 70% of the respondents have at least five years' experience in their various organizations and they occupy top management positions. This showed that the respondents are conversant with the strategic management process and its implication on companies' effectiveness.

Table1: Socio Demographic Characteristics of Respondents

Characteristics		Frequency	Percentage
Academic Qualification	HND	52	14
	B.Sc.	264	71
	Post Graduate	55	14.73
	Total	372	100
Professional Qualification	ACA, ACCA, ACMA	115	31
	ACIB, ACIT	41	11
	MCPIM	52	14
	MCPQA	11	3
	QPA	11	3
	MNIM	93	25
	MICCON	26	7
	OTHERS	23	6
	Total	372	100
Years of service in this company	1-4	119	32
	5-9	134	36
	10-14	59	16
	15-19	41	11
	20 and above	19	5
	Total	372	100

Source: Field Survey, 2017

4.2 Strategic Management Process in the Manufacturing Companies

This section showed the respondents' views about the four phases of the strategic management process, and therefore the extent of strategic management practice in the firms studied.

4.2.1 Establishing the strategic Intent

Analysis of table 2 below showed that 65% (SA + A) of the respondents indicated their firms have stated vision, effectively communicated to key stakeholders, 66% indicated that their companies have stated mission effectively communicated to key stakeholders in the firms, 53% indicated that their firms clearly define their business, 58% stated that their firm apply the business model, 71% affirm that their firms set clear goals and objectives. These are the main elements of the strategic intent, which is the first phase of strategic management. On the average therefore, the results showed that 65.8% of the respondents agree that their firms carry out the establishment of strategic intent. This is confirmed by the high mean value of 3.62 out of the maximum possible value of 5.

Table 2: Strategic Management Process: Establishing the strategic Intent

	SA	A	U	DA	SD	Mean
Your company has a stated vision, effectively communicated to key stakeholders in the firm.	30	35	5	18	12	3.21
Your company has a stated mission, effectively communicated to key stakeholders in the firm.	34	33	3	16	14	3.57
Your organization clearly defines its business.	26	27	11	20	16	3.27
Your company applies the business model in the creation and marketing of value.	28	30	22	12	8	3.58
Your organization sets clear goals and objectives.	44	42	3	5	6	4.13
Simple Average:	32.4	33.4	9	14	11	3.62

4.2.2 Formulation of Strategies

Analysis of table 3 below showed that 88% (SA + A) of the respondents indicated their firms perform environmental appraisal for strategy formulation, 91% indicated that their companies perform organisational appraisal, 93% indicated that the corporate strategies formulated are in line with the company's vision and mission statements, 85% stated that the company formulates corporate level and business level strategies, 90% affirm that their firms undertake strategic analysis, 91% agree that their companies have strategic plan. These are the main elements of the strategic intent, which is the first phase of strategic management. On the average therefore, the results showed that 89% of the respondents agree that their firms carry out the formulation of strategies phase of strategic management. This is confirmed by the very high mean value of 4.24 out of the maximum possible value of 5.

Table 3: Strategic Management Process: Formulation of Strategies

	SA	A	U	DA	SD	Mean
Your company performs environmental appraisal.	49	39	2	6	4	4.23
Your company performs organisational appraisal.	50	41	1	5	3	4.3
The corporate strategies formulated are in line with the company's vision and mission statements.	48	45	0	4	3	4.31
The company formulates corporate level and business level strategies.	45	40	5	6	4	4.16
The company undertakes strategic analysis?	46	44	1	4	5	4.22
Your company has a strategic plan?	51	40	1	4	4	4.30
Simple Average	48	41	2	5	4	4.24

4.2.3 Implementation of Strategies

Analysis of table 4 below showed that 72% (SA + A) of the respondents indicated that the organizational structure, systems and processes for strategy implementation are effective, 71% indicated that the measures for implementing functional and operational strategies are effective, 71% indicated that the measures for managing behavioural implementation are effective. These are the main elements of the implementation of strategies phase which is the third phase of strategic management. On the average therefore, the results showed that 71.33% of the respondents agree that their firms carry out the implementation of strategies phase of strategic management. This is confirmed by the high mean value of 3.75 out of the maximum possible value of 5.

Table 4: Strategic Management Process: Implementation of Strategies

	SA	A	U	DA	SD	Mean
The organizational structure, systems and processes are effective	39	33	6	12	10	3.7
The measures for implementing functional and operational strategies are effective.	37	34	5	13	11	3.73
The measures for managing behavioural implementation are effective.	35	36	8	11	10	3.75
Simple Average	37	34.33	6.33	12	10.33	3.75

4.2.4 Performing Strategic Evaluation and Control

Analysis of table 5 below showed that 92% (SA + A) of the respondents indicated strategic Audit is part of their organizations' strategic management process, 85% indicated that there is an internal strategy-monitoring unit in the organization, 53% indicated that external audit team is used in the organization's strategic audit, 85% stated that the company formulates corporate level and business level strategies, 81% affirm that the strategic management process involves reformulating of strategies as the need arises These are the main elements of the strategic evaluation and control phase of strategic management. 89% agree that top managers obtain unbiased reports for evaluation and control of performance results. On the average therefore, the results showed that 90% of the respondents agree that their firms perform the strategic evaluation and control phase of strategic management. This is confirmed by the very high mean value of 4.04 out of the maximum possible value of 5.

Table 5 : Strategic Management Process: Performing Strategic Evaluation and Control

	SA	A	U	DA	SD	Mean
Strategic Audit is part of your organization's strategic management process	51	41	3	3	2	4.36
There is an internal strategy- monitoring unit in the organization.	50	35	6	5	4	4.22
External audit team is used in the organization's strategic audit	26	27	15	20	14	3.37
The strategic management process involves reformulating of strategies as the need arises.	40	41	6	10	3	4.05
Top managers obtain unbiased reports for evaluation and control of performance results.	49	40	1	6	4	4.24
Simple Average	43.2	36.8	6.2	8.8	5.4	4.04

The summary of the simple averages of responses from the four phases of strategic management is as shown in table 6 below. It shows the extent of strategic management practice in the manufacturing firms studied. This shows that the firms studied practice strategic management to a very large extent as indicated by about 76.4% of the respondents. This result is in agreement with the findings of Monday et al (2015) who concluded that large scale manufacturing firms in Nigeria practice strategic management to a very large extent to gain competitive advantage. However, the results is quite contrary to the findings of Muogbo (2013) who concluded that strategic management was not yet a common business practice among manufacturing firms in Anambra state of Nigeria.

Table 6: Summary of responses for the four phases of strategic management process

Strategic Management Process	SA	A	U	DA	SD	Mean
Establishment of strategic Intent	32.4	33.4	9	14	11	3.62
Performing Strategy Formulation	48	41	2	5	4	4.24
Performing Strategy Implementation	37	34.33	6.33	12	10.33	3.75
Performing strategy evaluation and control	43.2	36.8	6.2	8.8	5.4	4.05
Average of responses for the four phases of strategic management	40	36.4	5.9	10	7.7	3.92

4.3 Effect of Strategic Management on Firm Effectiveness.

The analysis in tables 7 to 9 show the effectiveness of strategic management process on manufacturing firms' financial performance.

4.3.1 Effect of Strategic Management on Company Financial Process.

The analysis in Table7 shows the effect of strategic management on the firms' financial performance. Ninety percent of the respondents indicated that strategic management increases sales, while 89% indicated that strategic management increases profitability. This was confirmed by the very high mean values of 4.17 and 4.19 respectively, out of the possible mean value of 5. Eighty-nine percent of the respondents agreed that strategic management improves the return on capital employed This was confirmed by the high mean value of 4.19. Seventy-eight percent of the respondents agreed that strategic management improved average payment and collection period and therefore improved liquidity and cash flow, while 76% agreed that it aids increased asset turnover. This was attested to by the mean value of 3.84 and 3.90 respectively. Seventy six percent of the respondents agree that strategic management aids improved asset turnover while 67% agreed that it enhanced improved working capital management. This was confirmed by the mean values of 3.55 and 3.70 respectively.

Table 7: The effect of strategic management on company financial performance.

	SA	A	U	DA	SD	Mean
There is increase in sales	41	49	0	6	4	4.17
There is increase in profit margin	48	41	1	3	7	4.19
Return on capital employed is improved	45	44	1	5	5	4.19
Improved average payment and collection period, and therefore improved liquidity and cash flow	40	38	0	10	12	3.84
Asset turnover is improved	37	39	10	5	9	3.90
Earnings per share is improved.	34	33	5	10	18	3.55
Working capital management is improved	33	37	9	9	12	3.70

To test the hypothesis, “Strategic management has no significant effect on the financial process of an organization”, the level of practice of strategic Management was regressed with the financial performance of the selected manufacturing companies. From the analysis on Table 8, although the strategic management process of the selected firms could barely explain about 27% of the change in financial performance as indicated by the R2 value, there was a positive relationship between strategic management process and the firms' financial performance effectiveness ($R = 0.522$). This indicates that as the level of practice of strategic management increased, the financial performance of the firms also improved. Furthermore, the analysis of variance (ANOVA) in Table 9 showed that strategic management practice had significant effect on firm financial performance effectiveness ($F = 18.619$, $p < 0.05$). These results were consistent with previous similar studies by Gichunge (2007) and Dauda et al. (2010) that strategic management enhances organizational profitability.

Table 8: Relationship between Strategic Management and Firms' Financial Perspective

R	R^2	Adjusted R^2	Std. Error of Estimate
0 522	0.272	0.231	0.883

a. Predictors: (Constant), Strategic Management

Table 12: Effect of Strategic Management on Firms' Financial Effectiveness (ANOVA)

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	12.474	1	12.474	18.619	0.000
Residual	19.566	47	0.252		
Total	32.040	48			

a. Dependent Variable: Financial Effectiveness

b. Predictors: (constant), strategic management practice

Source: Author`s Computation, 2016.

Summary of Findings

The summary of simple averages of responses from the four phases of strategic management showed the extent of strategic management practice in the manufacturing firms studied. This showed that the firms practice strategic management to a very large extent as indicated by about 76.4% of the respondents. This result is in agreement with the findings of Monday et al (2015) who concluded that large scale manufacturing firms in Nigeria practice strategic management to a very large extent to gain competitive advantage. However, the results are quite contrary to the findings of Muogbo (2013) who concluded that strategic management was not yet a common business practice among manufacturing firms in Anambra state of Nigeria.

The analysis shows that there is a positive relationship between strategic management process and the firms' financial performance. Thus, as the level of practice of strategic management increased, the effectiveness of financial performance of the firm also increased. Furthermore, the analysis of variance (ANOVA) showed that strategic management practice had significant effect on firm financial performance ($F = 18.619$, $p < 0.05$). These results were consistent with previous similar studies by Gichunge (2007) and Dauda et al. (2010) that strategic management enhances organizational profitability

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Conclusion: Strategic management is the management of the process of making and implementing strategic decisions which gives an organisation the competitive advantage. This study revealed that strategic management was practiced to some extent in the manufacturing firms in Nigeria. Also, strategic management was found to be a veritable tool for improving firm financial perspective. The study concludes that there is a significant relationship between strategic management and financial performance of the selected manufacturing firms.

Recommendations

Based on the findings of this study, it is recommended that manufacturing firms in Nigeria should give strategic management process a topmost priority as it is a critical success factor in achieving the financial objectives of the organisations. In addition, entrepreneurial institutes, business schools and tertiary institutions in Nigeria should intensify their efforts to promote the learning of strategic management. This would expand the scope for the knowledge base of this very important management tool that is necessary for organizational superior financial performance.

Also, for future research direction this study should be replicated in the Nigerian service industry which constitutes a significant proportion of businesses in the country.

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