STRAIGHT MANAGEMENT PRACTICES AND EMPLOYEES’ PERFORMANCE: THE MEDIATING EFFECT OF ETHICAL CLIMATE IN THE NIGERIAN AVIATION INDUSTRY

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Abstract
In this study, the researchers investigated the causal influence from strategic management practice to employee’s performance using three competing techniques, MLE, GLS and ADFE, for a sample of Nigerian aviation industry. The three techniques provided a unanimous evidence that strategic planning and strategic management/evaluation maintained positive relationship with employee’s contribution to time management, while, we found that employee’s performance is not significantly sensitive to strategic formulation. Thus, the study recommended that employees should reduce their productive hours, required to formulate policies, rather they should allocate much hours in the process that leads to the achievement of the overall goal of the organization.

1. INTRODUCTION
Strategic management is the forerunner of any flourishing business in this competitive and globalized world. It concerns with the practice of managing organizational resources through integrated planning to achieve the ultimate goal of an organization. Hardly had any business survived without the practice of a resounding strategic management. In the perception of Pearce and Robinson (2007); Thompson and Strickland (2001), strategic management is the sum total of a company’s resource architecture designed to ensure that the basic goals of the company are achieved through adequate execution of all the planned activities. In line with this perception, it holds that there are four key elements attached to strategic management: scanning of the environment, formulating, implementing and controlling (Adeleke, 2008). While, David (2005) sees strategic management as the process and approach adopted to specify the goal of a business outfit, initiate and sustain policies with respect to the scarce resources of the business, and trigger a plan to achieve the goals, as well as allocating the resources to implement the plan and policies of the outfit.

This means strategic management is essentially an indispensable process in an organization, and one of the crucial drivers of performance. Generally, from the intuitive tradition, performance is intricately connected to plan. It is either you plan to perform or fail to perform because you fail to plan. This ideology is grossly celebrated in the modern day organizations. Organizations practice strategic management for the simple reason that they want to improve their performance. The extent of performance in contemporary businesses is traceable to the strategy that is adopted in directing, controlling and allocating resources. In furtherance of this, Aremu (2010) argued that strategy is an omnibus of enthusiasms that collects all the stakeholders, particularly, shareholders, bondholders, customers, suppliers and employees, together in such a manner to promote commitment, and consequently amplify performance of an entity. The frame of this argument is that strategy or strategic management in practice is a positive determinant of alluring or attractive performance. There are many ways a business can succeed without basic amenities, obvious there is no single way by which a company can succeed without strategy. Thus, the practice of strategic management is the “life blood, catalyst and molten magma” that push an organization in the realm of sustainable performance. Nag, Hambrick, Chen (2007) considered strategic management as a tool employed in
utilizing the resources of an organization by its managers on behalf of its owners to enhance performance, while Sharabati and Fuqaha (2014) contended that in the face of competition, strategic management distinguishes organizations from one another by showing the magnitudes of their performances. This implies that organizations varying in both performances and strategic styles. For example, the strategy practiced in Coca-Cola is vastly different from that practiced in 7-up, their products are different and their performance is not the same, yet they are in the same pattern of business. We cannot deny the syndrome that differences in performance is informed by differences in strategic practices.

This self-sustained syndrome is even more tenaciously pronounced in this modern day competitive world than in the pervasively passive or arm-chair world. The arm-chair world is a world where people wait for things to happen, while competitive world replicates the world where people strategize to make things happen. Thompson and Strickland (2001) said that different organizations are adopting different strategies; therefore, in order to compete and survive in the competitive environment, organizations are implementing various competitive strategies to achieve a sustainable competitive advantage and enhance their survival in an industry. Without equivocation, the entire world has become a global village, with very piercing interaction, resilience, dynamism and discontinuity. Processes are changing fast, and companies are competing with counterparts both internally and internationally. In the light of these, issues relating to strategic management are revolving, continuously reverberating and raging debates with contentious empirical strands.

Recently, Phina (2020) provided insightful evidence that all the steps involved in strategic management significantly drive performance in the manufacturing industry. Tolici (2021) identified and confirmed that seven components of strategic management initiatives are significantly related to organizational performance. Momanyi (2020) concluded that strategic planning, strategy formulation, strategy implementation and strategy monitoring and evaluation are positively related to performance. Ibrahim and Musa (2020) demonstrated that strategic management does not only improve performance, but it is significantly correlated with quality services in the ECOWAS region. Kayode (2021) confirmed that quality strategic practice influences performance of the aviation industry in Nigeria. Koros, Namusonge and Sakwa (2018) explained how strategic management drivers relate to performance of airport in Kenya. All of these studies have purported egregious shortcomings that need to be torchlight in various dimensions, both in empirical and methodological fashions. Firstly, the studies are based on correlation and multiple regressions, which do not account for errors in variables, this limitation could lead to miss-specification; secondly, they failed to address the issues of reversal simultaneity or bidirectional causations that may likely characterized the nexus between strategy and performance; Thirdly, endogeneity problems are not addressed; fourthly, the studies look similarly, there is no focus on the specific area of performance to explain; in some cases, explanation is based on the whole of the industry (like the aviation industry), there is need to reveal the companies in this industry whose strategic management and performance indicators have positive relationship. This information is still missing in the literature, and lastly, none of the studies gave preference to the influences of mediators in the nexus between strategic management and performance. The existence of mediators renders these studies impracticable in real life situations. Therefore, this proposed study contributes to existing knowledge by addressing the issues of error in variables and endogeneity using structural equation modeling; explaining bidirectional influences between strategic management practice and performance; focusing on randomly selected companies in the aviation industry of Nigeria; and identifying the mediating role of institution quality in the relationship between strategic management practice and performance of employees. We do not look at performance in general, but employee’s performance. This further disentangles our study from others. The rest of the paper is structured as follows: literature review, data source and sample size, model specification, results, conclusion and recommendation.

2. LITERATURE REVIEW

Mohamud, Mohamud and Mohamed (2015) used correlation analysis to examine the exact relationship that exists between strategic management and organizational performance in Mogadishu. The authors
aim to analyze if there is a positive relationship between strategic management and organizational performance in Mogadishu-Somalia. Descriptive analysis was done and spearman correlation statistical package was adopted to do analysis the interconnectivity between the dependent variables and the independent variables. The researchers documented that strategic management and organizational performance are significantly and positively related.

In the study of Muturi and Maroa (2015) the influence of strategic management practices on performance of floriculture firms in Kenya was analyzed. The population of the study was 21 floricultural firms out of which only ten of the firms were randomly selected. The study used primary data, through questionnaires. ANOVA was to test the formulated hypotheses of the study. The authors documented that a lot of the companies had a strategic plan, they implement these strategies, evaluate and control their strategic management practices. It was also revealed that there is a significant relationship among strategy formulation, strategy implementation, strategy evaluation and control and performance. The authors suggested that top-level managers should seek more input from the lower level managers and supervisors when formulating strategy so as to make the formulated plans effective and in line with both short and long term goals or objectives of the firm.

Samad, Alghafis, and Al-Zuman (2018) explored on the effects of strategic management and organizational culture on organizational performance in in Kuala Lumpur and Putrajaya Malaysian. The study population includes the senior and middle management officers in these two regions in Malaysian government organizations. The study used primary data where questionnaire was used to collected data for this work. 291 out of 350 officers answered the questions, this is about 83.14 percent of the total number of officers. Seven hypotheses were formulated by the researchers to relate the relationship between the dependent variable and the independent variables. Both structural equation model and path analysis were employed in this study. The coefficient of the path analysis revealed that the hypotheses that: formulation strategy dimension vision positively influences organizational performance; formulation strategy dimension goals positively influences organizational performance; implementation strategy dimension strategy positively influences organizational performance; implementation strategy dimension structure positively influences organizational performance; implementation strategy dimension human resource positively influences organizational performance. And organizational culture positively influences organizational performance. All these hypotheses were not rejected because the probability value of the path analysis is less than 5 percent alpha value. However, the hypothesis that that the formulation of strategy dimension mission positively influences organizational performance is rejected since it probability value is greater than 5 percent level of significant.

Efi, Udofia and Imaga, O. A. (2018) evaluated the impact of strategic planning on organizational performance of University of Uyo in Nigeria. The mission statement of the university was considered and organizational performance was non-financial performance. The study population were about 134 principal officer staff of the school with and 100 sample was selected adopting the Taro Yamene’s formula for the determination of sample size. The design of the study was survey research design. Through the use of questionnaires, the data for the study were collected. Descriptive statistics, linear regression analysis and multiple regression model were used in this study to test the formulated hypotheses. It was revealed that mission statement and strategic planning both have significant impact on the non-financial performance of this institution. Thus, the authors concluded that strategic planning is the key to excellent performance as it will improve the management and enhance proper functioning of university. Based on the authors findings, they recommended that the policies on resources should be revised and revisited. And better strategies for prompt sourcing, marshalling, allocation and utilization of resources should be evolved to catch up with current realities and the mission of the institution, this will make the university to achieve its objectives.

Glory and Baker (2017) carried out an investigation on the importance of financial leverage and risk aversion in risk management strategy selected among German firms. The study period is from 1998 to 2001. The study was a multiple regression analysis. Stochastic dominate risk-free asset (SDRA) estimation criteria is used to addressed the issue of choice making among risk-management strategies. The function of the stochastic dominate risk-free asset (SDRA) estimation criteria is that
it helps to select the strategies with less business risk. The study established that including risk-free asset will significantly influence the discriminatory power of the ordinary stochastic dominance criteria for the case of risk-management strategies. Thus, the study recommends that firms with high diversified products should take low risk management strategies for firm.

Agwu (2018) used descriptive statistics and regression analysis to evaluate the impact of strategic management on the business performance of SMEs in Nigeria. The study main objective is to verify the rate at which strategic management practices has improved the performance of SMEs in terms of the number of customers they have, their market share, volume of their transactions and in relationship to their business performance. The data that were used for the analysis were gotten from 120 owners of SMEs in Lagos through the means of questionnaires. It was discovered that adopting business strategies couple with competitive advantage of SME have significant impact on customers and market shares. It was revealed that there was an increase in both market shares and numbers of customers. Lastly, it was established by the author that organizational structure has positive effect on SMEs' transaction volumes however, this effect is not significant.

Fiberesima and Abdul Rani (2013) studied the impact of strategic management on business success in Nigeria and the researchers concluded that strategic management has a positive influence on corporate success of the organization. Also strategic management practices will enhance and increase business success in Nigerian organizations.

Analysis of Variance (ANOVA) was used by Olanipekun, Abioro, Akanni, Arulogun, and Rabiu, (2015) to investigate the impact of strategic management on competitive advantage and organizational performance in Nigeria bottling company. Random sampling technique was employed by the researcher to collect data. About two hundred (200) persons participated in answering the questions structured by these researchers. The authors of this study claimed that adopting and implementing strategic management practices thus improves performance and the organization will be able to introduce positive changes that will result in sustainable performance and competitive advantage. Sayyadi, 2019; García-Morales et al., 2008). Analyzing different leadership strategies and their influence on organizational performance, Ibrahim and Daniel (2019) have found that “it is the responsibility of every leader to build an organization that will function effectively” (Ibrahim & Daniel, 2019). The leader is the one setting the organizational standards; he/she is responsible for motivating employees towards attaining organizational goals and being committed to the organization’s mission, vision, and values, the leader will direct others towards accomplishing the results and the goals. Strong strategic leadership will guide an organization’s intellectual capital to improve organizational performance, fostering effective strategic management initiatives (Sayyadi, 2019; Garcia-Morales et al., 2008).

Demetriades and Eiffe (2018) have conducted a study on 24,000 companies and have found that certain practices that are related to the human factor within an organization are related to innovation that links the organization to performance. Moreover, the authors consider that employee participation in key aspects of the decision making process is bringing about positive change in the organization.

Muthaa (2018) investigated the effects of the strategic values on performance concerning enrolment, resources, quality and efficiency among the technical training institutions of Meru County. The study used a cross-sectional descriptive survey research design. The study was conducted with the top, middle and lower level management in the three Technical training institutions of Meru County. Questionnaires were used for data collection. Instruments were tested for reliability by using Cronbach’s alpha and a correlation coefficient of 0.75 was obtained. Data was analyzed using both descriptive and inferential statistics and presented by the use of tables and figures. The study established that the strategic values had a significant influence on the performance of technical training institutional. The introduction of the government policy has a moderating variable improved the model on strategic importance. The researcher recommended the institutional philosophy's alignment to the institutional strategic values that could enhance the Performance of Technical Training Institutions.
Mukokho (2018) sought to examine the influence of strategic planning on the performance of public universities in Kenya in the case of the University of Nairobi. The strategy is an essential management tool for achieving a firm's performance through strategic initiatives. The research design was a case study. The areas of interest in this study were the various college departments, schools and institutes, and the central administration departments forming an integral part of the University. The researcher used secondary data from various existing publications, both administrative and financial reports, including government reports. The findings of the study revealed that strategic planning had a positive and significant effect on performance. The study concluded that strategic planning influenced the Performance of the University of Nairobi positively. The study recommended that there is need for the University to emphasize on the commitment to goals, more staff training, workshops on strategic planning, increased financing, complete decentralization of operations, committed and qualified human resource and increased participation and consultation of all stakeholders and this will improve performance.

3. DATA SOURCE AND SAMPLE SIZE

By definition of the accessible population for this study, over three thousand (3000) employees and employers of aviation companies in Nigeria. Out of this number, a sample of five hundred (500) respondents were surveyed. Therefore, the sample of the study constitutes about sixteen (16) percent of the accessible population. This proportion is considered justifiable because a larger sample size may increase the tendency of human’s errors.

4. MODEL SPECIFICATION

Following the spirit of Birinci and Eren (2017), the researcher introduces system of equation to show the relationship between strategic management practice and employee’s performance. Precisely the structural equation modeling is adopted to estimate the interaction between these variables. This model is defined in path-algorithm and econometric forms as follows:

**Path-Algorithm Model**

![Path-Algorithm Model Diagram]

**Econometric Form:**

\[
ectm_i = b_1sp_i + b_2sf_i + b_3sme_i + u_{12}
\]
Where: sp-strategic planning, sf-strategic formulation, sme-strategic monitoring and evaluation
ectm- employee’s contribution to time management \( \mu_{12} \) is the random disturbance term, which is
expected to follow a logistic distribution.

4.1 Estimation Techniques

The fact that SEM has two components (structural and measurement) necessitates the use of two
estimation techniques. The principal factor component (PFC) technique was used to extract the
factor scores or values in the measurement equations, while the Maximum Likelihood Estimation
(MLE) method was used to estimate the parameters in the structural equations.

5. RESULTS

The results for this study are presented in three subsections; pre-estimated, estimated and post-
estimated results. The pre-estimated results are based on validity test, estimated results are
obtained from the outputs yielded by MLE, GLS and ADFE (Asymptotically Distribution-free Estimates)
methods, and the post-estimation results are obtained from the chi-squared statistics.

Table 1: Validity Test Results

<table>
<thead>
<tr>
<th>Instruments</th>
<th>Factor Score</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>ectm1</td>
<td>0.541</td>
<td>Valid</td>
</tr>
<tr>
<td>ectm2</td>
<td>0.541</td>
<td>Valid</td>
</tr>
<tr>
<td>sp1</td>
<td>0.914</td>
<td>valid</td>
</tr>
<tr>
<td>sp2</td>
<td>0.601</td>
<td>valid</td>
</tr>
<tr>
<td>sp3</td>
<td>0.536</td>
<td>valid</td>
</tr>
<tr>
<td>sf1</td>
<td>0.565</td>
<td>valid</td>
</tr>
<tr>
<td>sf2</td>
<td>0.736</td>
<td>valid</td>
</tr>
<tr>
<td>sf3</td>
<td>0.795</td>
<td>valid</td>
</tr>
<tr>
<td>si2</td>
<td>0.571</td>
<td>valid</td>
</tr>
<tr>
<td>si3</td>
<td>0.571</td>
<td>valid</td>
</tr>
<tr>
<td>sme1</td>
<td>0.561</td>
<td>valid</td>
</tr>
<tr>
<td>sme2</td>
<td>0.578</td>
<td>valid</td>
</tr>
</tbody>
</table>

We originally proposed 15 manifest variables to capture the underlying constructs for the study.
However, the validity test results show that 3 instruments are not valid since their scores are
respectively less than 50 percent. Evidence of the test is shown in table 1 above for reference
purpose.

Table 2: Estimation Results and Test of Hypothesis

<table>
<thead>
<tr>
<th>Variable</th>
<th>MLE</th>
<th>GLS</th>
<th>ADFE</th>
</tr>
</thead>
<tbody>
<tr>
<td>sp</td>
<td>.417</td>
<td>3.441</td>
<td>.121</td>
</tr>
<tr>
<td>sf</td>
<td>-.004</td>
<td>.193</td>
<td>-.019</td>
</tr>
<tr>
<td>sme</td>
<td>.013</td>
<td>.137</td>
<td>.093</td>
</tr>
</tbody>
</table>

Note the regressor is employee’s contribution to time management (ectm)

For the purpose of robustness checks, three methods (MLE, GLS and ADFE) are adopted in this study.
As shown in table 2, the three methods provide unanimous evidence of positive relationship between
strategic planning and employee’s contribution to time management. It means there is overwhelming
support to the generic notion that positive causality/influence runs from strategic planning to
employee’s contribution to time management. Strategic planning, which involves the creation of
business plans and implementing them leads to increase in the contribution of employees to time
management. Furthermore, the results based on these three methods, reveal that employee’s
contribution to time management responses negatively to changes in strategic formulation. That
means formulation of strategy is capable to reduce the contribution of employee to time management. By implication, employees who are typically engaged in the process of formulating strategies and plans, contribute less to time management of an organization. The convention is the more the time that is spent in the formulation of policies, strategies and plans, the less the contribution of employee to time management. The table also reveals that the coefficient of strategic management and evaluation is positive; suggesting that strategic management and evaluation has direct impact on employee’s contribution to time management. Analogously, organizational performance based on employee’s contribution to time management is positively driven by strategic management and evaluation. A well assessed and implemented organizational goal is an important driver of performance.

<table>
<thead>
<tr>
<th>Method</th>
<th>Chi-square-stat</th>
<th>P-value</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>MLE</td>
<td>27.552</td>
<td>0.895</td>
<td>fail to reject</td>
</tr>
<tr>
<td>GLS</td>
<td>25.561</td>
<td>0.939</td>
<td>fail to reject</td>
</tr>
<tr>
<td>ADFE</td>
<td>36.971</td>
<td>0.517</td>
<td>fail to reject</td>
</tr>
</tbody>
</table>

Note the null hypothesis for chi-squared test says that the model has good fit. The chi-squared statistic yielded by each method associates with large probability, leading to the rejection of the alternate hypothesis that the model does not have good fit. Thus, our estimated model has the right functional form.

6. CONCLUSION AND RECOMMENDATION

The focus of this study is on the nexus between employee’s performance and strategic management practice. Our major findings on this relationship provide three important conclusions. Firstly, strategic planning is a positive but not important determinant of employee’s performance in term of contribution to time management. This conclusion is in tandem to the findings of Demetriades and Eiffe (2018), Agwu (2018). Secondly, we conclude that strategic formulation leads to engagement of employees’ useful productive time, and consequently Granger causes contribution of employee to time management to diminish. Lastly, there is sharp evidence to document that employee’s performance is not significantly sensitive to the changes in strategic management and evaluation of the Nigerian aviation industry. In the light of this, we recommend that employee’s involvement in strategic formulation should be reduced drastically, while, the process of strategic planning, management and evaluation should be deepened and modified to reflect the dynamics in the working environment.

Reference


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