

RELATIONSHIP BETWEEN STRATEGIC AGILITY AND ORGANIZATION PERFORMANCE

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Abstract

Strategic decision-making theories suggest that organizations that pool strategic Agility and its constructs are likely to perform better than those that emphasize on traditional strategic planning. To assess whether these arguments apply to the public sector; This study explores the Strategic agility construct and their influence on performance through organizations perceived service effectiveness, efficiency and equity of State corporations in Kenya; hence the main objective of this study is to explore the relationship between strategic agility and performance of organizations (considering the components of both concepts and contextual variables). The population of the study included top managers and senior staffs working at the state corporations in Kenya. Results showed a significant positive correlation between strategic agility and organizational performance. All components of organizational performance had a positive significant relationship with Strategic agility. The relationship between the individual components of strategic agility and organizational performance is positive and significant. Variables of Age, work experience, and organizational position, had a positive significant relationship with the strategic agility of the organization, while about sex and educational level, no significant relationship found. The study recommend that strategic sensitivity (It is about an organization's ability to move all personnel up the strategic agility spectrum from 'Individual totally unaware to the potential changes that might impact the company' to perceiving it and be prepared to do something about it' must be considered.

Key Words: Strategic Agility, Organization performance

1. Introduction

Regional and global organizations are now focusing on developing practice of strategic agility to improve performance and be competitiveness since they are faced with uncertain and volatile environments. The grip of an organizational strategic agility calls for mechanisms of linking, disruptive systems thinking (where top and senior managers look beyond current corporate models) and envision new ways of creating competitive advantage, Ade Oyedijo, (2012). This also inspires frontline managers to adopt innovative outlook (known as disruptive systems thinking), which makes

companies become in an ideal world positioned to spot and capitalize on emerging trends. Nurturing such mindset requires prudence, broad perspective, and understanding of system interdependencies. Managers need to develop such aptitudes to create organizations, streamline processes, and redeploy resources in jointly reinforcing ways, (Caldwell *et al.*, 2012).

Most State Corporation can improve their performance make their business by continuously introducing new, innovative products. In the current global, turbulent market environments these organizations

face many source of uncertainty (Doz & Kosonen, 2014). In this research, our focus was on the state corporations in Kenya. State Corporations has been faced with dual challenges of the rise and collapse, poor performance. Globally organizations are faced with fast change and also complex systemic interactive environment (Doz & Kosonen, 2008). Therefore, to survive and achieve organizations’ performance, it is indispensable for the corporations to be strategically agile to enable them to become agile in order to ensure their sustainability and performance development.

It’s clear that in a rapidly changing world only strategic agile organizations survive; and the performance (efficiency) of organization is proportional with the usage of their fulfillment depends on their agile requirement (Doz & Kosonen, 2014). Organizational performance (OP) is a multidimensional and multifaceted concept involving the recursive interplay of financial and nonfinancial capabilities of organizations (Caldwell, et al., 2012) to shape and change the environment and to adapt to its environment. Thus, Organizational performance is not separate from the people who constitute it through strategic sensitivity, resource fluidity and collective commitment of the whole management team. In strategic agile organization management /teams will put their skills together to exploit opportunities, innovate and learn and bring growth give real customer services, find and solve organization challenges.

2. Theoretical Background /Literature Review

Companies have traditionally responded to change through strategic planning and the foresight offered by scenarios, or through corporate ventures and an entrepreneurial drive. Today’s change is both fast –where ventures can provide an answer- but also complex (in the sense that it results from multiple hard to a more forecast systemic interactions). Strategic planning no longer fits because change is fast and unpredictable (Yves, 2014), hence giving a performance instrument of strategic agility.

The conceptual definition of “strategic Agility is based on Doz & Kosonen (2014) concept analysis in which they defined Strategic Agility as environmental responsiveness in the context of turbulence and change (Yves,2014). Strategic Agility is an organization’s ability to rapidly respond and flexibility cope with the unexpected internal and external environmental changes (Doz & Kosonen,2014). Yang (2012) described Strategic Agility as the process of adapting strategic orientations of the organization by responding to the changing environmental conditions. In summary, Strategic Ability is the perfection of change, by adapting agility in the organization to maximize strengths and provide what it necessary for the organization’s survival which is constituted by its components such as: Strategic Sensitivity, Resource fluidity, Collective commitment.

Strategic Agility: Strategic agility is the ability of an organization to continuously adjust and adapt strategic direction in core business, as a function of strategic ambitions and changing circumstances, and create not just new product and services, but also new business models and innovative ways to create value. It also involves a radical

rethinking of ‘organization which enables the leader’s to reflect on how to go back to the functional root of why organizations are created (to accomplish its goals) without having to adhere to the traditional structure,Ade Oyedijo,(2012).

Strategic Agility is a key enabling Capabilities to organization performance through its core elements such as Strategic Sensitivity which considers both the sharpness of perception and the intensity of awareness and attention of the organization performance (Doz & Kosonen, 2014).Thus, strategic agility could be thought as a way for organizations to overcome uncertain situations of high volatility that would lead to disastrous negative consequences. Strategic agility is a state of active awareness and openness to new information that enables members to pay attention in the continuous creation, refinement, and learning with flexibility (Ljungholm, 2014).

Strategic sensitivity

Strategic sensitivity hinges on extensive external and intensive internal dialogues around strategy by the management, it is not about perfect prediction of the future. Instead, it is about being prepared to exploit change, and making informed decisions as to the best moves and countermoves for the business. It is about an organization’s ability to move all employees up the strategic agility spectrum from ‘I am totally oblivious to the potential changes that might impact the company’ to ‘I see it coming and am prepared to do something about it’ (Doz, 2014).

Resource Fluidity

Resource fluidity is critically dependent on flexible capital resource utilization and reallocation, as well as people and

knowledge mobility. Resource Fluidity means being able to flexibly move resources from one place to another as needed so to achieve this a diversified portfolio of independent units, a cadre of general managers who can be transferred across units, central corporate control over key resources, and structured processes for decreasing investments or selling of units is paramount as is to create new principal accounts that introduce people to an idea for change, and move them through refining the objectives and goals for improved performance. It also, enhances learning to make fast turns and being able to transform and renew the organization without losing momentum (Caillier, 2014).

Collective Commitment

Collective commitment results from strategic and structural choices that make collaboration among the top team a must. Collective Commitment is the ability of the top team to make bold decisions. Leaders of the best-performing organizations defined their jobs in terms of identifying and constantly communicating commonly held values, shaping such values to enhance performance, ensuring the capability of people around them, and living the commonly held values (Caldwell, et al., 2012).

Organization Performance

In this study performance is measured under the practice of the Balance score card (BSC) which viewed organizations from four perspectives, and to develop objectives, measures (KPIs), targets, and initiatives (actions) relative to each of these points of view in any organization. Financial perspective considered more on the

appropriate name in the public sector, this perspective views organizational financial performance and the use of financial resources. Customer/Stakeholder: considered perspective views organizational performance from the customer point of view and other key stakeholders that the organization is designed to serve. Internal Process; This viewed organizational performance through the lenses of the

quality and efficiency related to the products or services or other key business processes they offer. Organizational Capacity (originally called Learning and Growth) considered organizational performance through the lenses of human capital, infrastructure, technology, culture and other capacities that are key to advance performance.

The proposed conceptual framework of the research as shown in figure (1) implies the existence of a relationship between SA and OP.

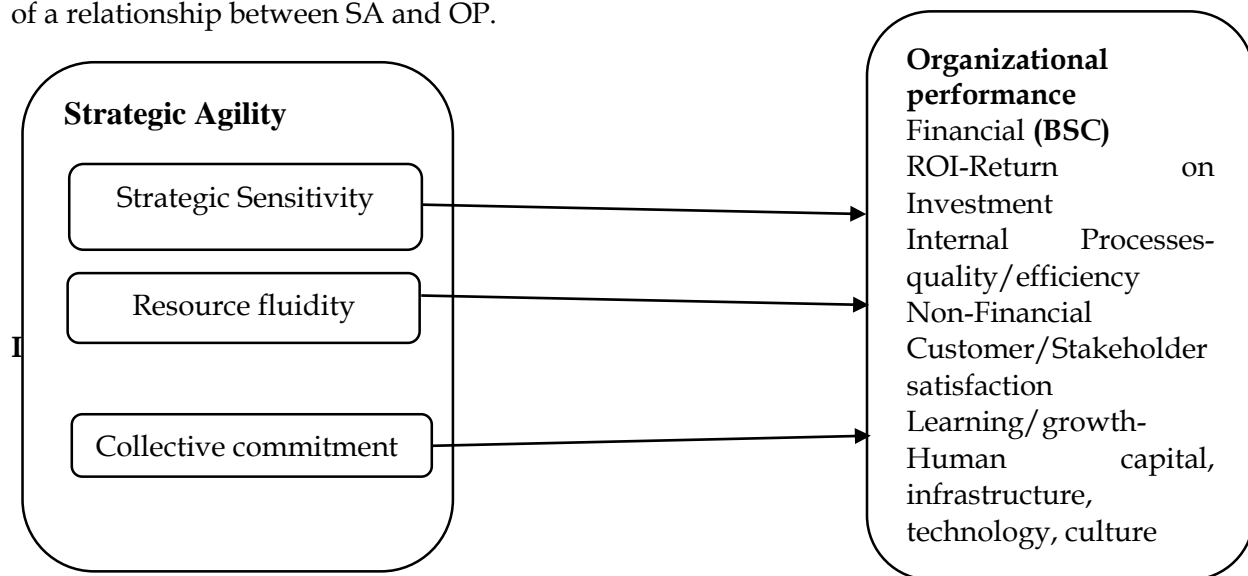


Figure 1. Conceptual model about the influence of Strategic Agility on Organizational Performance (Own interpretation: Based on the idea of (Aye Oyedelo, 2012)

3. Research Methodology

The research was descriptive cross-sectional survey and stratified random sampling an explanatory research design using both quantitative and qualitative approaches. An explanatory research is conducted in order to discover and report relationships among different aspects of the phenomenon under study (Firebaugh, 2008). Explanatory research seeks explanations of observed phenomena, problems or

behaviours. Primary sources data: where the researcher designed a questionnaire to collect data from the study sample individuals, in order to identify the relationship between strategic agility and organization performance in 55 Kenya state corporations.

The sample consist of all 215 Top managers and Senior superior employees working at 55 state corporation in Kenya established in Nairobi city county files because of the

dynamic environment such companies are in. Three types of questionnaire was used for data collection include: the five-point Likert scale "Organizational performance questionnaire" of Kaplan Norton(BSC), where were 9 questions, and the "strategic Agility questionnaire" of Yves and Kosonan,(2008), which consists of 12 questions were used, and a questionnaire for gathering demographic data (sex, age, duration of experience, organizational status, and education). Total of 257 questionnaire packages were distributed in person. Finally, 235 questionnaire packages were returned and 215 of them distinguish as useful and included. The data was analyzed using the SPSS software.

Reliability of data-gathering tool was measured by Cronbach's coefficient Alfa (0.919 for the OP questionnaire and 0.783 for the Strategic Agility questionnaire). Normality of data was confirmed by One-Sample Kolmogorov-Smirnov Test. Pearson Correlation coefficient, Regression, Independent T-test and analysis of variance

(ANOVA) was used to answer the questions of the research.

4. Results

The result of the data analysis to answer the questions is as follows:

The 1th & 2nd Questions: Regression Analysis was used to answering these questions.

These following regression equations were established between OP and SA:

$$Y=70.099 + 0.88X$$

(X=SA, Y=OP) (1)

This means that adding one point to Strategic agility, organizational performance score will increase by as much as three points, so we can claim that this regression is linear.

$$Y=116.697 + 0.172X$$

(X=OP, Y=SA) (2)

The above equation means that adding one point to organizational performance, strategic agility score will increase by as much as three points. So, this regression is linear

The 3rd question: Using Pearson correlation coefficient, revealed the Correlation between SA and OP is positive and significant (Table 1).

Table 1. Correlations between SA and OP

Strategic Agility	Pearson Correlation	r = 0.714, **
	Sig (2-tailed)	.000
	N=215	

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data (2017)

The findings also show that there is a very strong positive relationship between performance of state corporations and strategic agility (n=215, r = 0.714, p < 0.01).

5. Conclusions and Suggestions

Based on the results of this study, we may conclude that there is a significant relationship between strategic agility and performance. Since the impact of strategic agility is significant, it is a good predictor of

organization performance. The findings of this study revealed a significant relationship between strategic agility and organization performance. It also indicated that firms with high strategic agility outperform firms with low strategic agility. This study

provides important implications for the management of State Corporation in Kenya. In order to improve organization performance, state corporations organizations need to demonstrate a high level of commitment to strategic agility.

This study can also help researchers to better understand the relationship between strategic agility and organization performance in the state corporation in Kenya. If the state corporation in Kenya are to survive must survive, grow and compete effectively in volatile environment at national and regional markets, the top managers should develop strategic sensitivity, resource fluidity and collective commitment aspects and practices that can make them become strategically agile.

Yves Doz, (2014) defines strategic Agility as the strategic management tool of an organization for solving its problems. Confirming this definition, the result of this research showed a positive relationship between strategic agility as one of the problem solving ability (as one of the agile personnel attribute) and organization performance. There's no empirical study on

demographic variables effect on strategic agility and performance so further research should be carried out. Doz and Kosonen (2008) believe "work duration" is related to strategic agility.

Concerning organizational position, as might be expected, agility of top managers significantly was higher than the other operational staffs. Ordinarily, managers plays three kinds of roles, e.g., an interpersonal role, an informational role, and a decisional role (Mintzberg, 1973). As per this study, top managers need to identify managerial skills that are essential to successful management such as technical, human or relational, and conceptual. It is obvious managers need to be more agile than theirs lower cadres to perform these roles. Finally, no relationship between gender and strategic agility or education level and performance was found. Bestowing to what is mentioned above about demographic variables, employment of professionals (regardless of gender, or merely emphasis on educational degree) is recommended.

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