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Corporate Strategy and Performance of Oil and Gas Companies in Nigeria

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Abstract*: The study examined the influence of corporate strategy on performance of oil and gas companies in Nigeria. The objective of the study was to establish the relationship of product diversification strategy on operational efficiency. The study was guided by resource based theory. The study adopted a survey research design. The targeted population was 813 respondents, drawn from four oil and gas companies in Nigeria. A sample of 268 respondents was chosen using Taro Yamane's formula, while bowley's method of allocation was used to determine the copies of questionnaire to be distributed to each firm. Primary data was collected with the aid of questionnaire. The data were analyzed using descriptive statistics, while the hypothesis was tested using Pearson's coefficient correlation analyses with the aid of statistical package for social sciences (SPSS). The results were presented in tables for easy analysis. The finding revealed that corporate strategy has a positive influence on oil and gas companies' performance in Nigeria. The study recommended that the various oil and gas companies need to strategically continue to engage in product diversification strategy in order to enhance operational efficiency*.

Keywords: Corporate, Strategy, Operational efficiency, Performance, product diversification

Introduction

The history of corporate strategy is as old as business history itself, though the concept was not properly and formally formulated until the 19th century when business organizations started adopting war strategies to cope with competition and as well enhance their performance. Chandler (2010) recognized the importance of coordinating the various aspects of management under one all-encompassing strategy. Prior to this time the various functions of management were separated with little or no coordination or strategy. Interactions between functions and departments were typically handled by a boundary position, that is, there were one or two managers that relayed information back and forth between the various departments. Chandler (2010) stressed the importance of taking a long term perspective when looking to the future performance of an organization. He also added that long-term coordinated strategies were necessary to give a company; good structure, direction, and focus. Corporate strategy has been a growing concern in all sectors of human endeavour, academic research and management practitioner. Corporate strategy is been used by oil and gas companies to enhance their performance and competitive advantage in the business environment. Different forms of corporate strategy has been adopted by these quoted oil and gas companies (Total Nigeria plc, Mobil Nigeria plc, Conoil Nigeria plc and Oando Nigeria Plc) in Nigeria Stock Exchange, ranging from ground strategies to generic strategy which has actually not sustained the continuous growth of the oil and gas companies financial performance. Some of these companies have used strategies like acquisition, consolidation, expansion and capital base ratio, yet no lasting solution to the unstable annual performance of oil and gas companies. This study is envisioned to expand the body of knowledge in respect of the application of corporate strategy to performance of the oil and gas companies in Nigeria.

Statement of the Problem

Corporate strategy has long been used as a tool for transforming and revitalizing corporations, government agencies and nonprofit making organizations. The oil and gas companies in Nigeria operate in a complex national and global environment. It has been observed that there will be little or no more petrol or diesel cars, buses, or trucks that will be sold anywhere in the world in the nearest future, owing to technological advancement. The entire market for land transport will switch to electrification, leading to a collapse of oil prices and the demise of the petroleum industry as we have known it for a century. As a result of these predictions by auto mobile expertise in the decline of oil usage for motor vehicles and oil and gas industry, the oil and gas companies are now faced with the challenges of product diversification strategy in enhance their firm's performance. Industry analysts suggested that operational performance gaps has been at the strategic level and carry through to tactical and operational levels within an organization. However, there have been difficulties in translating corporate strategy into tactical and operation level activities and this has led to ineffective strategy implementation.

Objectives of the Study

The overall objective of this study is to examine the relationship between corporate strategy and performance of the oil and gas companies in Nigeria. The specific objective of this study was;

- To ascertain the relationship between product diversification strategy influence on operating efficiency of oil and gas companies in Nigeria.

Research Questions

In view of the above objectives, the researcher sought to find answer to the following research question;

- To what extent does product diversification strategy influence operating efficiency of oil and gas companies in Nigeria?

Research Hypotheses

To achieve the above objectives and provide answers to the research question, the following hypotheses were formulated in the null form.

- H_o: There is no significant relationship between product diversification strategy and operating efficiency ofoil and gas companies in Nigeria.

Review of Related Literature

Corporate Strategy

Corporate strategy is a set of systematic and consistent pattern of decision made at corporate level, which integrates organizational goals, policies and action sequences into a cohesive whole in improving organizational performance. Kumar (2018) stated that strategic plan is an overwhelming task, but the best place to start is by defining what the strategic planning of a business is. Corporate strategy is the process of envisioning a future and translating this vision into defined goals, objectives, strategies, and tactics. Adetowubo-King (2018) stated that strategic planning creates a sense of direction for an organization, while organizational performance measurement provides the feedback loop that keeps the strategic plan on track. Corporate strategy involves defining an organization's mission and assessment of its current state and competitive landscape. Corporate-level strategies define a plan to hit a specific target needed to achieve business goals. CFI (2018) postulated that corporate strategy takes a portfolio approach to strategic decision making by looking across all of an organization business in order to determine how to create the most value. Strategies lean towards being a long-term in nature, but allow for a dynamic adjustment, based on uncertainty and changesin a business environment (Kimberlee 2018). Corporate-level strategies are implemented throughout the entire structure of oil and gas companies. Organizations that manage to deliver customer value unfailingly are those that revisit their corporate strategy regularly to improve areas that may not have delivered the intended results.

Product Diversification Strategy

Product diversification is the practice of expanding the initial market of a product. This strategy is used to enhance sales associated with an existing product line, which is mainly useful to a business that has been experiencing declining or stagnant turnover. Product diversification has been used as one of the attributes that aids competitive advantage for organizations through economics of scale and other synergies from using an organization's capabilities and resources across different product lines. Product diversification strategy creates an opportunity that provides additional synergy from diversification strategy which individual investors cannot create through his or her personal portfolio diversification. Such an option creates strategic edge in reducing business risk (Paynor, 2002). One of the managerial contingencies that are presumed to be contributing positively to the financial performance of organizations is the degree of diversification (Constable& McCormick, 2009). According to Dibb (2007), organizations diversify by extending the scope of their operations into numerous markets. A diversification strategy is pursued according to Chandler (2010), when organizations have opportunities embedded in technology and market structures as well as opportunities for growth in the organization's basic business. Strategic fit exists when businesses have adequately related value chains that give rise to vital opportunities for example, transferring skilled employees and expertise from one activity to another (Johnson,Scholes& Whittington 2008).

The focus is to increase profitability by exploiting an organization's competencies, it is however difficult to leverage on competencies and to realize economies of scope as the same time (Griffin and Pasta, 2010).

Performance

The concept of organizational effectiveness or performance holds a central position in the management of private and public organizations as well as in the field of organizational / management science research. A number of definitions of organizational performance have been proposed by organizational and management scholars, all influenced by the particular organizational perspectives held by the authors. Over the last decades, concerns for efficiency, excellence, productivity and total quality have become increasingly widespread in Western organizations (Lewin & Minton, 1986). These concerns are often motivated by the perception of threats to the durability of the organization.

Operational Efficiency

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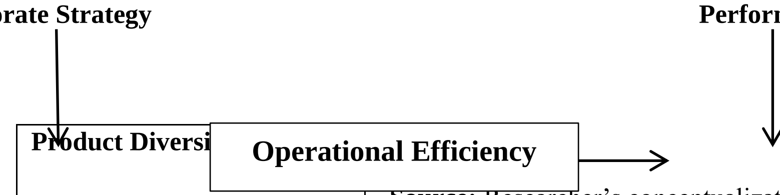
Operational efficiency refers to the judicious, efficient and profitable use of resources available to an organization in perfect agreement with clearly laid down financial policies relating to a business operation (Dhillon andVachhrajani, 2012). The subject of the evaluation, measurement and conceptualization of operational performance in an organization has been a recurrent theme in different areas of academic literature (Venkatraman andRamanujam, 1986). The oil and gas companies adopt a strategic management perspective and focuses on the measurement of establishing a division between financial and operational performance, with emphasis on the latter. Following a similar line, Kaplan and Norton (1992) believe that the traditional measurements of financial performance are no longer valid for today's business demands. Therefore, they consider that operational efficiency measurements of management are needed when dealing with customer satisfaction, internal processes and activities directed at improvement and innovation in the organization, which lead to future financial returns.

Researcher's Conceptual Model

The conceptual model represents the researcher's diagrammatic relationships of the variables. It reveals the relationship and sense of direction between the dependent and independent variables, where product diversification represent the independent variables, while operational efficiency dependent variable.

Independent Variable **Dependent Variable**
Corporate Strategy **Performance**



Source: Researcher's conceptualization

Theoretical Framework

Resource Based View Theory (RBV)

The resource based view theory also known as the resource-advantage theory was propounded by Penrose (1959) to address the assessment of organization's resources, their accumulation and how to focus these in such a way so as to convert distinctive competence into competitive advantages that match market opportunities. Resource based theory is a managerial framework used to determine the strategic resources allocation for an organization to achieve sustainable competitive advantage. This theory was met to create the attention of management in the efficient and effective allocation of internal resources in an effort to identify those assets, capabilities and competencies with the potential to deliver superior competitive advantages.

Empirical Review

Imhanzenobe (2019) investigated the impact of operational efficiency on the financial sustainability of listed manufacturing companies in Nigeria. The efficiency variables considered include; employee growth, account receivables turnover, operating expenses, inventory turnover and asset turnover. Secondary panel dataset ranging from 2009 to 2016 of 16 listed manufacturing companies was used. The Ordinary Least Square method was used to test the hypotheses. The findings revealed that in relation to ROA, operating expenses and asset turnover had negative and positive significant relationship respectively.

Njuguna, Kwasira andOrwa (2018) explored the influence of product diversification strategy on performance of nonfinancial firms listed at the Nairobi Securities Exchange in Kenya. A descriptive correlational survey design was adopted. 45 non-financial firms were studied. Primary and secondary data was collected. Questionnaires were issued to 135 departmental managers. Regression model was used to test the hypothesis. The study established that there was a significant positive relationship between product diversification and firm performance.

Nwakoby and Ihediwa (2018) studied the effect of firm diversification on financial performance of Nigerian firms. This study adopted Ex-Post Facto research design and covered a ten years annual reports and accounts of these firms from 2008 to 2017. The data collected for the study were analyzed using financial ratios and the formulated hypotheses were tested with simple regression analysis using SPSS. This study concludes that the financial performance of Nigerian firms is significantly affected by their products, hence there was a significant correlation between financial performance and related diversification but business diversification.

Shin-Tien (2016) examined the relationship between diversification strategies and business performance of Taiwanese companies investing in China. 500 Taiwanese companies were sampled. The study used a survey research design, while Correlation was used to test the formulated hypotheses. The empirical results indicate that (1) the higher the level of diversification, the better the business performances; (2)compared to investments in other sectors, the greater the diversification into energy, mining and commodity, the better the business performances; (3) the greater the product diversification, the better the business performances.

Duarte, Brito, Serioand Martins (2011) explored the effect of operational practices in financial performance. Tested the relationship between quality management, just in time, ISO certification and outsourcing services on financial performance, using multiple regression analysis. A sample of 1200 firms, operating in São Paulo, Brazil, was used. A negative relationship of outsourcing with both profitability and growth was found, supporting some critical views of the outsourcing practice. A weaker negative relationship between ISO certification and growth was also found. Some interactions between practices and industries were also significant, with mixed results, indicating that the effect of practices on performance might be context dependent.

Alesón andEscuer (2002) analyzed the impact of product diversification on performance. Performance was measured using Tobin's q for a sample of 103 non-financial Spanish firms (1992–1995). The principal results however, indicate that the firms with intermediate levels of product diversification have the highest performance, while the firms with lower and high levels of diversification showed a lower performance, which performance was not significantly different between them.

Gap in knowledge

Various studies have been conducted in the past on corporate strategy and organizational performance both locally and internationally. The independent variables (product diversification) and the dependent variables (operational efficiency) have not been tested on quoted oil and gas companies in the Nigeria Stock Exchange.

Methodology

Research Design

Survey research design was used to examine the relationship between the independent and dependent variables of this study

Population of the Study

The targeted population of this study was813 staff, made up of the Chairmen, Directors, Management and Senior staff of Oando Plc, Conoil Plc, Mobil Oil Nigeris Plc and Total Nigeria Plc of the oil and gas companies quoted in Nigeria Stock Exchange.

Table 1: Distribution Table of Respondent Population

Name of Companies	Head office Location	Number of Employees
Oando Plc	9th – 12th Floor, The Wings Office Complex, 17a OzumbaMbadiwe, Victoria Island, Lagos.	Director/Chairman – 14 Management - 14 Senior Staff - 40 **Total 68**
Conoil Plc	Bull Plaza 38/39, Marina, P.M.B. 2052, Lagos, **Nigeria**.	Director/Chairman – 13 Management - 15 Senior Staff - 186 **Total 214**
Mobil Oil Nigeria Plc	Mobil House Lekki Expressway, Victoria Island, Lagos.	Director/Chairman – 7 Management - 16 Senior Staff - 60 **Total 83**
Total Nigeria Plc	Total House, 4 Afribank Street, Victoria Island, Lagos.	Director/Chairman - 10 Management - 123 Senior Staff - 315 **Total 448**
Total		**813**

Sources: Human Resource Department and 2018Financial Report

Sample Size

Taro Yamane formula (n = N/1 + N $(e)^2$) was used to derive the sample size of 268 respondents from the population. Bowley's Proportionate Allocation formula was used to determine copies of questionnaire that was distributed to each of the companies.

Sample and Sampling Technique

Random sampling technique was used to select the 268 staff from the above stated oil and gas companies by the application of random numbers table in administering the questionnaire.

Method of Data Collection

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The researcher collected primary and secondary data for the study. Primary data was collected using questionnaire. The questionnaires were all close ended questions. The researcher administered the questionnaire to the respondents of this study through the four companies' secretaries using a drop and pick later techniques. Secondary data was obtained from annual reports of the Ministry of Petroleum, Petroleum and Natural Gas Senior Staff Association (PNGSA), Nigeria Union of Petroleum and Natural Gas Workers (NUPNGW), websites of the four companies, annual financial reports and academic Journals.

Operationalization of Variables

Organizational performance was used to measure the company's performance as compared to operational efficiency of the organization. This was measured using questions 6 to 10, the question posed hypothetical improvement in employees' and technological performance and the respondents were asked to indicate the effectiveness of the performance results.

Product diversification measures the new product diversification line which the oil and gas companies choose to enhance their performance. This was measured by questions 11 to 15. These questions measured the extent to which product diversification strategy impact on organizational performance.

Validity and Reliability of Instruments

Validity of instruments was obtained using the Content Validity Index (CVI). It was performed on the constructs to ensure that the scale items are meaningful to the sample and it also captured the issues that were measured. Reliability of the instruments was ascertained using the test-retest method of sixteen (16) items of the questionnaire to test for the internal consistency of the scales used in measuring the variables at 0.879 and .814 for operational efficiency and product diversification.

Method of Data Analysis

Before processing the responses, the completed copies of questionnaire were edited for completeness and consistency. The data were then coded to enable the responses to be grouped into various categories ranging from strongly agreed (5) to strongly disagreed (1) using likert-style rating scale. The data collected was analyzed by using descriptive statistics with the aid of SPSS 20 software such as frequency distribution percentages and frequency tables was used to summarize the data. Pearson's product correlation analysis and Regression analysis statistical tools were used in analyzing hypotheses one and two respectively.

Response Rate

A total of 268 questionnaires were administered. Out of these questionnaires 243 were returned and duly completed. This represents 90.67% response rate. This was considered a good representative sample for the study. According to Mugenda and Mugenda (2003) reported that a rate of 50% and above returned questionnaires is acceptable for data analysis.

Summary Statistics on Operating Efficiency

In this section, the study sought to establish whether the Oil and Gas Industry had adopted strategies in the past that has impacted on their performance.

The respondents were asked to select the rate that best deemed their workplace environment in relation to their performance.

The Likert-type scale was used to rate their responses on a 5 – point scale ranging from 5 = Strongly Agree to 1 = Strongly Disagree.

Table 2: Summary Statistics on Operating Efficiency

S/N	Organizational Performance	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Std. Deviation
6	Corporate strategy leads to improvement on the organization financial performance.	40 (16.4%)	101 (41.6%)	68 (28.0%)	25 (10.3%)	9 (3.7%)	3.57	1.003
7	Corporate strategy assists managers in considering the future implications of the current decisions	80 (32.9%)	74 (30.5%)	9 (3.7%)	37 (15.2%)	43 (17.7%)	3.46	1.511
8	The organization is efficient in resources utilization.	69 (28.4%)	88 (36.2%)	15 (6.2%)	39 (16.0%)	32 (13.2%)	3.51	1.392
9	Corporate strategic leads to building commitment to action among line managers.	75 (30.9%)	78(32.1 %)	12 (4.9%)	44 (18.1%)	34 (14.0%)	3.48	1.441
10	Corporate strategic leads to developing a sustainable competitive position.	82 (33.7%)	73 (30.0%)	10 (4.1%)	35 (14.5%)	43 (17.7%)	3.48	1.511
	Average	**69.2(28.46%)**	**82.8 (34.08%)**	**22.8 (9.38%)**	**36 (14.82%)**	**32.2(13.26%)**	**3.50**	**1.372**

Source: Field Survey, 2019

Table two above, measured the extent to which participants agreed that operating efficiency in the Oil and Gas industry has improved. The average mean score of the variable measuring organizational performances was 3.50 with a standard deviation of 1.372. It also shows that 68.2 (28.08%) of the average participants disagree or strongly disagree that the organizational performance is low, 152 (62.54%) of the participants agreed or strongly agreed that the organizational performance is high, while 22.8 (9.38%) of the average participant were neutral in their response. The average mean value of 3.50 was high and the average standard deviation value of 1.372 which shows the degree of variation among the participant was high.

Table 3: Summary Statistics on Product Diversification Strategy

S/N	Corporate Strategy	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Std. Deviation
11	My company has interest in product diversification strategy.	78 (32.1%)	80 (32.9%)	12 (4.9%)	43 (17.7%)	30 (12.4%)	3.55	1.412
12	Product diversification has improved the performance of the company.	82 (33.7%)	73 (30.0%)	9 (3.7%)	35 (14.4%)	44 (18.2%)	3.47	1.519
13	Product diversification strategy enhances market competitive advantage.	70 (28.8%)	86 (35.4%)	15 (6.2%)	38 (15.6%)	34 (14.0%)	3.49	1.409
14	Change in technology enhances organizational performance.	78 (32.1%)	79 (32.5%)	12 (4.9%)	43 (17.7%)	31 (12.8%)	3.53	1.421
15	My organization is researching into new product line.	83 (34.2%)	72 (29.6%)	10 (4.1%)	35 (14.4%)	43 (17.7%)	3.48	1.514
	Average	**78.2 (32.18%)**	**78 (32.08%)**	**11.6 (4.76%)**	**38.8 (15.96%)**	**36.4 (15.02%)**	**3.50**	**1.455**

Source: Field Survey, 2019

From table three above, corporate strategy was measured by the extent to which product diversification strategy influence organizational growth. This was measured by the sub-variables in the table above. An average number of the 156.2 (64.26%) strongly agreed or agreed that product diversification strategy influence organizational growth, 11.6 (4.76%) of the average participants were neutral, while 75.2 (30.98%) average participants strongly disagree or disagreed that corporate strategy influence organizational growth. The average mean was 3.50 and a standard deviation of 1.455. The mean value was high, and this shows that product diversification strategy influences organizational growth of oil and gas companies can deviate from mean to both sides by 1.455.

Hypotheses Testing

The broad objective of the study was based on the relationship between the dependent variable (performance) and independent variable (corporate strategy). In order to achieve this task, the Pearson Correlation Coefficient was used to test the hypothesis.

Decision Rule: Accept P value when $P < 0.05$ level of significance. Reject P value when $P > 0.05$ level of significance.

Hypothesis

H_o: There is no significant relationship between product diversification strategy and operating efficiency of oil and gas companies in Nigeria.

H_i: There is a significant relationship between product diversification strategy and operating efficiency of oil and gas companies in Nigeria.

Table 3: Hypothesis relationship between Product Diversification Strategy andOperating Efficiency

Correlations

		OP	PD
OE	Pearson Correlation	1	.803**
	Sig. (2-tailed)		.000
	N	243	243
PD	Pearson Correlation	.803**	1

	Sig. (2-tailed)	.000	
	N	243	243

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

Source: Field Survey, 2019

Where; OP = Operational Efficiency and PD = Product Diversification Strategy

Interpretation and Discussion of Results

The result from the hypothesis was tested using correlation. It indicates that product diversification strategy is positively related to organizational performance (r = .803**, P < 0.01) at 0.01 level of significant. The result also indicates that there was a high relationship between both variables. The result revealed that corporate strategy enhances organizational performance. The researcher therefore, accepted the alternative hypothesis that there is a significant relationship between product diversification strategy on operating efficiency of oil and gas companies in Nigeria and thereafter, the null hypothesis was rejected, which states that there is no significant relationship between product diversification strategy on operating efficiency of oil and gas companies in Nigeria). The result from this hypothesis was supported by the findings of Shin-Tien (2016) and Nwakoby and Ihediwa (2018) that product diversification strategy has a significant relationship with organizational performance.

Finding

The findings are stated below in terms of the relationship between the dependent variable (operational efficiency) and the independent variable (product diversification strategy)

i. Product diversification strategy was positively related to operational efficiency of the oil and gas companies.

Conclusion

The study reviewed corporate strategy on performance on oil and gas companies in Nigeria, with the objective of finding the relationship between the independent variables (product diversification strategy) and the dependent variables (operational efficiency). It was observed that from this study there is a positive relationship between corporate strategies on organizational performance from the Pearson's moment correlation coefficient analysis. The moderating variable of product diversification strategy has positive effect on operational efficiency of the oil and gas companies.

Recommendations

Based on the finding of this study, the researcher made the following recommendation that;

i. The various oil and gas companies need to strategically continue to engage in product diversification strategy in order to enhance operational performance. This is because product diversification strategies contribute to improved performance of oil and gas companies in Nigeria.

Contributions to Knowledge

The following are the contribution to knowledge from this study;

i. The development of a conceptual model that explains and predicts some of the variables that determines organizational performance in oil and gas industry.
ii. It is one of the first researches that decomposed corporate strategy into product diversification strategy that was used by the researcher to test the influence operational efficiency of oil and gas industry in Nigeria.

Areas for Further Research

The study was based on oil and gas companies in Nigeria and therefore future researchers should incorporate other sectors of the economy in order to determine the extent to which product diversification across other industries influences performance.

Future researchers should expand the scope of the study by increasing the sample size and the number of performance indicators, instead of limiting the study to just quoted oil and gas companies in Nigeria.

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