Texila International Journal of Management
ISSN: 2520-310X
DOI: 10.21522/TIJMG.2015.10.02.Art011

Unlocking Corporate Value – An Investigation on the Extent to which an Organization's Strategic Priorities Can Affect its Corporate Value

Michael Chuka Dukor[1] and S.P. Sreekala[2*]
[1]*Doctoral Research Scholar, School of Business Management, Texila American University*
[2]*Centre for Research and Development & BBA, School of Management, KPR College of Arts Science and Research, Coimbatore*

Abstract

All over the world, businesses experience stormy and changeable business environments which influence the success or otherwise of the business. The financial industry – banking especially, is not an exception to this theory as the world has become a global village, with activities from one country becoming a threat to businesses in other countries. It is therefore imperative for organizations to employ various strategies to enable them compete and survive in turbulent environments. There are several facets of an organization which facilitate its attainment of corporate value. Of utmost importance is the definition of strategic priorities which must be in place for an organization to achieve its objectives. For this study, in terms of understanding the extent to which an organization's Strategic Priorities can affect its Corporate Value, the chosen organization's strategic priorities of Technological Innovation, Level of Productivity, Service Delivery, Wealth Maximization and Market Efficiency were all examined to determine the degree to which they affect corporate value. The study adopted a convergent parallel design approach to enable the extraction and analysis of quantitative and qualitative data. Due to its composite attributes of perfectly combining the characteristics of cluster sampling with stratified sampling elements, the multi-stage sampling technique was adopted. Following a robust analysis, the conclusion was that an organization's strategic priorities jointly and significantly influence its corporate value. Multiple regression results reveal an F-value of 88.77; $p<0.05$ thus demonstrating statistical significance between the combined strategic priorities and the firm's corporate value, with Wealth Management very significant ($\beta=.28$; $p<.05$).

Keywords: *Corporate Value, Multiple Regression, Strategic Priorities, Wealth /Management.*

Introduction

It is important to note that all businesses encounter different challenges some of which include difficulties in attracting the right talent, mastering the market, organizational communication, remote personnel administration, managing people across unfamiliar cultures, policy development, strategy definition, devolution and implementation [1]. These issues could characteristically lead to difficulties in unlocking the value that is integral in a market, thus leading to questions around strategy, structure and an execution approach towards the attainment of the organization's strategic priorities. Therefore, the problems of achieving the strategic priorities of a bank, in an industry with largely homogenous products and little differentiation, becomes an important area of concern. Studies have investigated how important strategies are to organizations [2]. However, the problems of achieving the strategic priorities of organizations still lingers. This study therefore, seeks to contribute to the literature by examining how the strategic priorities of the organization can affect the corporate value.

Received: 25.07.2024 ***Accepted: 11.08.2024*** ***Published on: 30.08.2024***
****Corresponding Author: spsreekalaashok@gmail.com***

Several theories exist on how organizations can make strategic decisions around how best to navigate changing business environments and gain competitive advantage over its peers. These include amongst others, the Strategic Choice Theory (SCT), the Dynamic Capability Theory (DCT) and the Survival Based Theory (SVB).

Strategic Choice Theory

The Strategic Choice Theory (SCT) falls among the popular organizational learning theories and it was developed by John Child in 1972. The central focus of the Strategic Choice Theory is the proposal on how corporate organizations make strategic decisions and a set of factors that influence those decisions [3]; [4]; [5]. The theory argues that previous models of organizational decisional making process are inadequate because they rely so much on hierarchical structure of the firm thereby excluding the crucial role of the political process and other environmental factors in the decision-making process [3]; [4]; [5], figure 1.

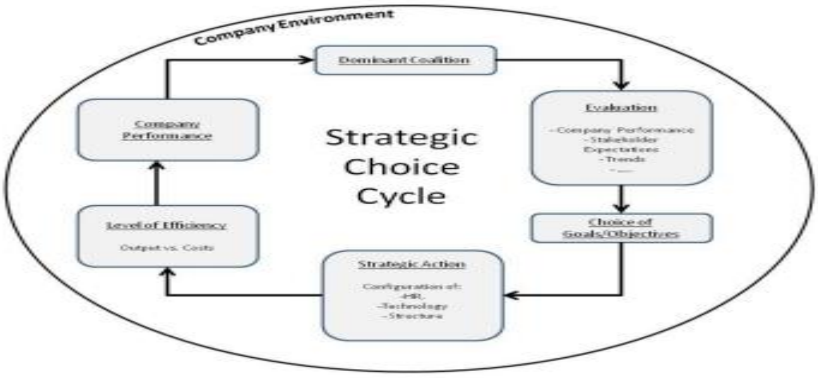

Figure 1. Strategic Choice Theory as a Continuous Process Within Organizational Environments [5]

Source: Adapted from Jan W. Rohof, "Strategic Choice Theory in Purchasing", University of Twente https://api.semanticscholar.org/CorpusID:169139706.

Dynamic Capability Theory

Dynamic Capability Theory (DCT) was developed by David Teece, Gary Pisano, and Amy Shuen in their popular publication in 1997 [6]. The Dynamic Capability Theory extends from the System theory and focuses more on explaining the organization's ability to integrate, build and reconfigure both internal and external competences accrued to it in addressing rapidly changing environment under which a firm operates [7]. Dynamic capabilities have been a side attraction and re-occurring decimal in strategic management research in recent times [8].

Survival Based Theory

Survival Based Theory is another relevant theory to this discourse. The theory, otherwise called 'survival of the fittest' was actually advanced by Herbert Spencer in 1985 [9]; [10]. Survival Based Theory simply proposes that organizations should always strive to adapt to their operating business environment in order to survive [9]. The proposition of this Survival Based Theory was however based on the main assumption of the contingency theory, which proposes that organizations should base their plans and decisions on the prevailing situation and condition because there is no one way to succeed or lead the market competition [11]; [12].

Limitations

The strategic priorities were delimited to technological innovation, improving productivity, service delivery, wealth management and market efficiency being the defined strategic priorities of the case study organization – a fist class multinational bank with global presence in Asia, Africa, Middle East, Europe and the Americas – over 50 countries well represented. The study was also delimited to surveying the opinions of selected senior members of staff from different functions and segments of the chosen multinational bank.

Objective

This study aims to examine the paradigmatic fusion between strategic priorities and corporate value with the specific objective to: Examine the influence of strategic priorities on corporate value.

Significance

The outcome of this study will contribute to the body of knowledge as it relates to the strategic priorities of an organization and how they help an organization achieve its objectives. It will be relevant to organizations, practitioners and scholars because, today, organizations are looking for better ways to deliver their services in the face of very dynamic and competitive business environments – from regularly changing business cycles, to COVID-19, to trade wars (USA v. China) to military wars (Ukraine v. Russia) etc.

Strategic Priorities

Strategic priorities of any forward-looking company help to bridge the gap between the process of strategy formulation and strategy execution. This is achievable through the alignment of a firm's corporate vision, mission, and culture leading to its overall success through the achievement of its set goals and objectives [13] and 14. Hence, strategic priorities often represent the value, goal and task underlying organizational success for a specific period of time. Companies often set strategic priorities as objective criteria and performance measures (sometimes used as the set key performance indicators - KPIs) that can be used to break down and evaluate the performance of their strategic plans and SMART objectives over a period of time [15].

Corporate Value

Corporate value is a quality measure of how a firm is consistent in different efforts leading to the attainment of both financial and non-financial objectives of the company in a sustainable way [16]. Other experts such as [17]; [18]; [19]; and [20] consider corporate value the belief system, philosophy, and a set of principles that drive a company or an organization towards the realization of its set goals and objectives.

Thus, a corporate value statement is expected to identify and enlist the core principles that serve as a set of guidelines and direction to the organizational purpose, its culture, and tends to help create a kind of moral compass underlying the uniqueness of behaviour and actions of the organization and its workforce [21]; [[22]; [23]. Based on the foregoing, corporate value is an achievement desired by shareholders, who are owners of the organization [24] being a critical success factor of the overall business process management [25]. However, corporate value cannot operate in isolation. In fact, it is a by-product of and consequent upon some actions and inactions of an organization.

Materials and Methods

Case Study

A global multinational banking institution with presence in 53 countries across the world was selected as the subject matter for this exercise because they have a precise and defined set of strategic priorities which was important for the data collection and results analysis.

Approach

From an approach viewpoint, the study embraced quantitative and qualitative research methods. Among the advantages of using a descriptive and cross-sectional design and a quantitative approach is that it enables the researcher to adopt or adapt quantitative research instruments like survey questionnaires to collect and analyse primary data from the target study population and sample in a field exercise. On the other hand, the use of qualitative methods and techniques such as unstructured or semi-structured interviews would play a complementary role and help re-confirm or state otherwise of some of proxy data and figures obtained via quantitative study [26].

Experimental Design

A convergent parallel research design was employed as it allowed the elicitation of quantitative data through the use of questionnaire while also eliciting responses through qualitative data – interviews, and analysing both separately to have a proper in-depth insight on the subject matter [27]. Though the researcher adopted mixed methods, but specifically a convergent parallel design so as to strengthen the research methodology and conduct a more comprehensive study to gain strong insight into the research.

Population of the Study

The study population was finite and a mixed sampling strategy with a combination of probability and non-probability sampling procedures was adopted alongside a multi-stage sampling technique to select a representative sample size from among the study population. This sampling procedure was adopted because of its multi-faceted features of combining perfectly the characteristics of cluster sampling with stratified sampling elements and advantages in dealing with a complex, larger and geographically dispersed population of a study.

The sample size computation was carried out as follows:

According to Yamane (1967):

$$n = N/[1 + N(e)]^2$$

Where n = is the sample size

N = is the population

e = is the error limit (0.05 on the basis of 95% confidence level)

Therefore,

$$n = \frac{500}{[1 + 500\ (0.05)^2]}$$

$$n = \frac{500}{2.25}$$

$$n = 222.22$$

$$n \sim 222$$

The target sample size is therefore 222 based on the computation above.

Data Collection Process

Both primary and secondary data collection were used for the study being a quantitative and qualitative study and due to the need to obtain and make use of both primary and secondary data sources. Hence, the primary data collection was done with the use of self-administered structured survey questionnaires designed for the planned field study. Two sets of questionnaires were designed for the study. One was a structured survey questionnaire which was designed for the target and selected members of staff of the bank while the second was an unstructured/semi-structured interview questionnaire designed for the collection of the qualitative opinions from the target respondents who were selected to participate in the study.

The survey questionnaire techniques were administered once, and a 5-scale Likert questionnaire design method was also adopted for each of the sets of questionnaires [28]; [29]. The questions of each of the survey questionnaire instrument were tailored alongside the major variables of the study. Each survey questionnaire design was divided into two separate sections – A and B with section A of the questionnaire featuring personal data entailing all relevant characteristics and profile of the respondents while section B consisted of relevant questions underlying the topic being studied.

The Likert response scale type that was adopted for the questions under section B were: Strongly Agree (SA), Agree (A), Undecided

(U), Disagree (D) to Strongly Disagree (SD) as applicable in each question.

Statistical Analysis

The study made good use of several statistical tools amongst which were Percentage analysis to show the distribution of frequencies, Skewness tests to assess to the normality of the data and Regression analysis to demonstrate the influence or impact of the independent variable – Strategic Priorities, on the dependent variable – Corporate Value, of the study.

Results

To assess the normality of the data, a test of skewness was adopted by the study. The skew value of a normal distribution is zero, implying a symmetric distribution. According to Kline (2011), a variable is close to normal as a rule of thumb if the skewness has values between -3.0 and +3.0. Using the rule of thumb, the results of Table 1 revealed that all the variables had a skewness coefficient range from 0.465 and 1.018. Based on this, it was concluded that the data of the variables were normally distributed in line with Bryman (2016) and Saunders et al., (2019).

Table 1. Skewness Tests

Variables	**N**	**Sum**	**Skewness**	
	Statistic	**Statistic**	**Statistic**	**Std. Error**
Technology Innovation	246	839	-0.205	0.155
Service Delivery	246	881	-0.309	0.155
Wealth Management	246	1050	-0.104	0.155
Market Efficiency	246	978	-0.054	0.155
Improve productivity	246	961	-0.057	0.155
Corporate value	246	1036	-0.465	0.155
Organizational Structure	246	771	1.018	0.155
Strategy Execution	246	894	0.234	0.155

To assess the impact of Strategic Priorities on Corporate Value, a multiple regression analysis was carried out and with an R value of 0.81, shows the combined significant relationship between the five independent variables of Technological innovation, Service Delivery, Wealth Management, Market Efficiency and Improved Productivity, and the lone dependent variable – Corporate Value.

Table 2 reveals that the five strategic priorities indeed jointly have a significant relationship with Corporate Value.

Table 2. Multiple Regression Result of the Effect of Strategic Priorities on Corporate Value

Variables	***B***	***Beta***	***SE***	***Sig***	***R***	***R²***	***F***	***P***
TI	.01	.01	.04	.83				
SD	.03	.04	.04	.54				
WM	.32	.28	.05	<.05	.81	.65	88.77	.01
ME	.07	.08	.05	.21				
IP	.47	.55	.06	<.05				

Dependent Variable: Corporate Value, Ti: Technological Innovation; SD: Service Delivery; WM: Wealth Management; ME: Market Efficiency; IP: Improved Productivity; Dependent Variable: Corporate Value Source: Field Survey Results (2023).

Discussions

The analysis which focused on the degree to which strategic priorities do affect corporate value was used to formulate the study objective.

The findings revealed that strategic priorities jointly and significantly influence corporate value. The findings further revealed how each of the strategic priorities influences corporate value with Wealth Management having a very significant positive influence on corporate value. These findings corroborate the findings of previous studies where strategic priorities are viewed as an important tool for understanding the corporate value of the organization [14].

Conclusion

The results of the quantitative study clearly demonstrate the combined significant relationship between the strategic priorities of Technological Innovation, Service Delivery, Wealth Management, Market Efficiency and Improved Productivity, relative to Corporate Value. The relationships are statistically significant.

Acknowledgement

The authors express their gratitude to Dr. S. Subadra for her support towards the completion of this study.

Conflict of Interest

The authors hereby declare that there was no conflict of interest in this study.

References

[1]. George, G., & Schillebeeckx, S. J., 2022, Digital Transformation, Sustainability, and Purpose in the Multinational Enterprise. *Journal of World Business*, 57(3), 101326.

[2]. Balarezo, J., & Nielsen, B. B., 2017, Scenario Planning as Organizational Intervention: An Integrative Framework and Future Research Directions. *Review of International Business and Strategy,* 27(1), 2-52.

[3]. Child, J., 1972, Organizational Structure, Environment and Performance: The Role of Strategic Choice. Sociology, 6(1), 1-22.

[4]. Keohane, R. O., 2000, Strategic Choice and International Relations. *Journal of Economic Literature,* 38(3), 641-643.

[5]. Rohof, J. W., 2013, Strategic Choice Theory in Purchasing (Bachelor's Thesis, University of Twente).

[6]. Teece, D. J., Pisano, G., & Shuen, A., 1997, Dynamic Capabilities and Strategic Management". *Strategic Management Journal*, 18(7), 509–533.

[7]. Teece, D. J., Pisano, G., & Shuen, A., 2005, Dynamic Capabilities and Strategic Management. Knowledge Management: Critical Perspectives on Business and Management, 2(7), 234.

[8]. Laaksonen, O., & Peltoniemi, M., 2018, The Essence of Dynamic Capabilities and their Measurement. International *Journal of Management Reviews,* 20(2), 184-205.

[9]. Barney, J. B., 2001, Is the Resource-Based "View" a Useful Perspective for Strategic Management Research? Yes. *Academy of Management Review,* 26(1), 41-56.

[10]. Khairuddin, H. M., 2005, Strategic Management. Singapore: Thomson Learning.

[11]. Gathungu, J. M., & Ndungi, E. N., 2016, Corporate Entrepreneurship, Strategic Management, External Environment and Performance of Insurance Companies in Nairobi, Kenya. *Journal of Business Management,* 4(11), 10-25.

[12]. Khairuddin, S., Qureshi, Z. H., Wahid, R. A., Tehseen, S., Pathan, Z. H., & Khan, M. R. K., 2019, A Conceptual Study on Contingent Impact of External Integration on Innovation SME Business Success Relationship. *International Journal of Financial Research*, 10(5), 370.

[13]. Korherr, P., Kanbach, D. K., Kraus, S., & Jones, P., 2023, The Role of Management in Fostering Analytics: The Shift from Intuition to Analytics-Based Decision-Making. *Journal of Decision Systems*, 32(3), 600-616.

[14]. Mtengwa, E., & Muchenje, C., 2023, Reputation Management: A Cog for Nurturing Trust and Building Entrepreneurial Success. in Sustainable Marketing, Branding, and Reputation Management: Strategies for a Greener Future (pp. 212-237). IGI Global.

[15]. Verbeeten, F. H., & Boons, A. N., 2009, Strategic Priorities, Performance Measures and Performance: An Empirical Analysis in Dutch Firms. *European Management Journal,* 27(2), 113-128.

[16]. Hudiwinarsih, G., 2020, The Importance of Corporate Social Responsibility in Improving Corporate Value: Case Study of Public Companies in Indonesia. *International Journal of Finance & Banking Studies,* (2147-4486), 9(3), 121-130.

[17]. Collins, J. C., & Porras, J. I., 2008, CMR Classics: Organizational Vision and Visionary Organizations. California Management Review, 50(2), 117-137.

[18]. Barrett, R., 2013, The Values-Driven Organization: Unleashing Human Potential for Performance and Profit. Routledge.

[19]. Baird, K., Su, S., & Munir, R., 2023, The Mediating Role of Levers of Controls on the Association Between Sustainable Leadership and Organisational Resilience. *Journal of Management Control,* 34(2), 167-200.

[20]. Soares Piccoli, M., Diehl, C. A., & Nascimento, A. J. D., 2023, The Effect of the Belief System on a Temporary Construction Business Consortium. *European Business Review,* 35(3), 426-443.

[21]. Shaud, J. A., 2011, In Service to the Nation: Air Force Research Institute Strategic Concept for 2018-2023. DIANE Publishing.

[22]. Karman, A., 2020, Understanding Sustainable Human Resource Management–Organizational Value Linkages: The Strength of the SHRM System. *Human Systems Management,* 39(1), 51-68.

[23]. Nguyet, L. A., 2023, Rankings Entrepreneurship: Exploring Times Higher Education's Rhetorical Strategies to Legitimize its Impact Rankings (2018-2023).

[24]. Hasan, M., & Hendrawan, R., 2020, Metal and Mineral Mining Firm's Equity Valuation in Indonesia Stock Exchange. In Proceeding of 2nd Information Conference on Inclusive Business in the Changing World (ICIB 2019) (pp. 662-673).

[25]. Trkman, P., 2010, The Critical Success Factors of Business Process Management. International *Journal of Information Management,* 30(2), 125-134.

[26]. Saunders, M., Lewis, P., & Thornhill, A., 2009, Research Methods for Business Students 5th Ed.

[27]. Bryman, A., 2016, Social Research Methods. Oxford University Press.

[28]. Asika, N., 1991, Research Methodology in Behavioural Sciences. Lagos: Longman Nigeria Plc.

[29]. Asika, N., 2006, Glossary of Terms and Concepts in Research and Statistics (With Technical Notes). Lagos: Christian and Maxwell Publisher Limited.