

CORPORATE RESOURCES UTILIZATION AND ORGANIZATIONAL IMPLEMENTATION OF STRATEGIES IN QUOTED PHARMACEUTICAL COMPANIES IN NIGERIA

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ABSTRACT

This study examines the relationship between corporate resources utilization and organizational implementation of strategies in quoted pharmaceutical companies in Nigeria. Descriptive survey design was adopted for this study. The population of the study comprised of ten (10) quoted pharmaceutical companies in Nigeria as stated by the Nigeria stock exchange 2018 fact sheet while the entire population was used as the sample size for the study. A total number of 100 copies of the survey questionnaire were distributed to these ten companies using the stratified random sampling technique. A questionnaire titled “Internal Audit Efficiency and Strategy Implementation Questionnaire” (IAESIQ) was used to collect data for the study while Spearman's Rank order correlation coefficient (ρ) and multiply regression analysis were used to analyze the data collected. The study revealed that there is a significant relationship between corporate resources utilization and

organizational implementation of strategies in firms in Nigeria.

Keywords: Internal audit, Internal Audit Efficiency, Strategy Implementation and corporate resources utilization

INTRODUCTION

Recently, emphasis has been made on the relevance of auditing in ensuring that the assets of shareholders are safeguarded as reported by the managers in the published financial report. This move is necessitated by the global scandals that has marred corporate organization, as the financial report publish are misleading. Although this act of auditing is being carried out by auditors as requested by the shareholder, but to compliment this process, there is every need for strategy implementation. Strategy implementation could be seen as a strong pressure or force that ensures that all the activities of a given business organization conforms to a plan of action. It is mostly concerned with the actualization of several basic requirements relating to a firm's objective towards control of a business organization. It ensures that divisional and functional leaders (managers) have the right background, skills and attributes to make strategy work, design the organizations structure and climate to match the strategy, employ the right functional policies and allocate resources to the operating units in support of the strategies approved for the units. With regards to these facts, implementation which is the action phase enables ever business organization to monitor its scarce resources in order to achieve the ultimate goal of shareholder wealth maximization.

A way strategy implementation can be done is by establishing an efficient internal audit unit. Internal audit as defined by the auditing practice committee (1983) as cited in Ukpai, Kellyiyi and Hamilton (2006), is “an element of internal control system set up by the management of an enterprise to examine, evaluate, and report on accounting and other controls on operations. It exists either voluntary or in certain circumstances because of a statutory requirement.” This means that internal audit plays an imperative role in strategy implementation of business organization by ensuring compliance with legal requirements and organizational rules. The internal audit department acts as the police unit of a business organization due to is “watch dog” character. It sees the implementation phase as master plan that is required to turn strategy into reality and see if what happen was supposed to happen. If no, it draws management

attention to it.

Since there are emphases for internal audit function and strategy implementation, internal audit within an organization must be effective for proper strategy implementation that will aid in actualizing its objectives. But in most cases, internal audit department within an organization suffer certain problems which gives rise to poor strategy implementation. These problems include poor or inadequate information sharing, lack of model to guide implementation effort, unclear responsibility and accountability (Hiebiniak, 2006). Millichamp (2004) listed process control, corporate resources utilization and fraud prevention as the dimensions for internal audit efficiency while Glueck (1980) as cited in Tamunomiebi and Hamilton (2001) listed leadership or behavioural implementation, functional policy implementation and organizational implementation as the dimension of strategy implementation. This study however focuses only on corporate resources utilization dimension for internal audit and the organizational implementation measure of strategy implementation.

Therefore, the purpose of this study is therefore to ascertain the relationship between corporate resources utilization and organizational implementation of strategies in quoted pharmaceutical companies in Nigeria.

Drawing from this, the research hypothesis formulated for this study is:

HO₁: There is no significant relationship between corporate resources utilization and organizational implementation of strategies in quoted pharmaceutical companies in Nigeria.

LITERATURE REVIEW

Theoretical Foundation

This underlying theory that form the foundation to this study is the agency theory. The proponents of this theory are Jensen and Meckling in 1976. Agency theory is developed as framework for analyzing conflicting interests between key stakeholders, in addition to the development of mechanisms for resolving conflicts (Tipuric, 2008). In agency theory terms, the owners are principals and the managers are agents. Agency theory attempts to depict the relationship in terms of behavioural characteristics and provides mathematic tool for evaluating situations between parties who lack mutual trust. Agency theory describes

economic exchange relation between principal and agent. Principal-agent relation in which principal delegates work to the agent, is described using the metaphor of a contract (Jensen & Meckling, 1976). Agency theory objective is to decide optimal contract between principal and agent. Agent (manager or employee) tries to exploit personal gains by satisfying principal's fiscal objectives and agent's commitment level is function of perceived reward worth for satisfying principal's objectives. The relationship amongst principal and agent based on the contract is a crucial point of agency theory. Principal wants to exploit his/her benefits while minimizing remuneration to the agent at the same time. Likewise, the agent wants to exploit his/her benefits. This goes to say that this theory is based on what each party stands to get. Therefore, there is need for efficient internal audit function in order to actualize the goal of this theory.

Conceptual Review

Concept of Corporate Resources Utilization

This has to do with how efficient management is in the use of the resources (human, technology or intellectual) at its disposal for the actualization of organizational goal and objectives. In the words of Williams (2001) in respect to resource utilization, an efficient manager is seen to be one who meets the daily production quota at minimum cost. Therefore, resources utilization efficiency is the ratio of inputs to outputs (Katz & Kahn, 1966). According to Lorange (1998), people are the main strategic resource; therefore, it is essential for organizations to effectively utilize the know-how of their employees at the right places. It is the challenge of management to allocate them to their most useful tasks as well as coordinating and integrating activities of participating employees and functions (Pryor, Anderson, Toombs, & Humphreys, 2007). As written in the formulation and planning part of the Strategy implementation there is also a need to choose the right people for the right responsibility.

Concept of Organizational Implementation

Organizational implementation is the final phase in strategy implementation that restructures the organization to make it fall in line with formulated strategy requirements. Successful implementation of strategy is critical to the achievement of organizational goal and objectives (Elbanna, Thanos, & Colak, 2014; Schweiger & Sandberg, 1991). Implementation of strategies so formulated within an organization is essential, therefore management should consider the most appropriate link that exist between strategy formulation and implementation to ensure that strategic decisions are fully and properly embedded within the activities of organizational members (Elbanna, Andrews,

& Pollanen, 2016).

Empirical review

A study by Udeh and Eugene (2016) on evaluation of effectiveness of internal audit in the Nigerian public sector used simple random sampling technique to select 4 of the Federal Government Parastatals sited in Enugu State of Nigeria while a study populace of 182 made up of 127 accountants and 55 internal auditors in the Parastatals was utilized for the study. Data was collected using a structured questionnaire. While the sample size for the study was 168 respondents. Their study utilized chi-square for data analyses. Their study indicated that, among other things, that in spite of ease of use of sufficient punishments, they were not efficiently useful across boards for violations of internal audit measures. It as a result concluded that efforts should be channeled towards updating the knowledge of internal auditors rather than engaging in interminable hunt for error-proof internal audit procedures.

Ibrahim (2018) in his study on an assessment of the impact of internal auditing on the financial management of local government: A study of Kata-gum local government area of Bauchi State chose a population that consist of staff of internal audit, finance and account department from which convenience sampling method was used to arrive at a sample size of forty (40) respondents. Chi-square (χ^2) statistical tool was adopted to analysis the data collected. The study revealed that internal audit impact positively and significantly on the financial management of Kata-gum local government. It is therefore recommended that internal audit unit of the Kata-gum local government should be allowed to fully access all the local government account and records, properties and investments files to carry out their duties diligently. Also, internal audit unit staff should also be allowed to attend workshops, seminars, conferences in order to broaden their knowledge. Finally, study recommended that adequate independence should be given to the unit to discharge their duties without due interference and regular review of the whole system of internal control in the local government should be carried out.

Donlaya, (2012) in examining factors influencing competence in internal audit performance and the relationships between competence in internal audit performance and equipped outcomes used 100" listed companies on the Thai Stock Exchange. a structure questionnaire was used to collect data from respondents. Regression analysis and ordinary least squares (OLS) regression

analysis is used to check the relationship and hypotheses respectively. The study indicated that the relationships between the internal audit unit and other units have positive significant influence on all independence, objectivity, competencies and human relevance. This shows that totality of operating and information systems, understanding and acceptance within the organization, knowledge, skill, and human relations and relationship between the internal audit units and other units have sway on internal audit efficiency.

Elbanna, *et al.* (2016) carried out a research on strategic planning and implementation success in public service organizations: evidence from Canada. They used 150 public service organizations from Canada. A structured online questionnaire was used to collect data for the study. The study revealed that formal strategic planning has a strong positive relationship with implementation, which, though mediated by managerial involvement, becomes even more salient in the face of stakeholder uncertainty.

METHODOLOGY

The descriptive survey design was adopted for this study. The population of this study is ten (10) quoted pharmaceutical companies in Nigeria as stated by the Nigeria stock exchange 2018 fact sheet. The sample size for the study is ten (10) pharmaceutical companies. However, since internal audit efficiency and strategy implementation can be explained better by different top officials of quoted manufacturing companies, the researcher then choose Ten (10) top officials comprising of Management, Audit department, quality and assurance control department of each selected quoted companies to serve as the respondents for the study since it is believe that these people can provide the much needed information relating to internal audit efficiency and strategy implementation of their organization.

A total number of 100 copies of the questionnaire were distributed to the respondents. This is drawn using the stratified random sampling technique. Primary data were gathered through the aid of a questionnaire titled “Internal Audit Efficiency and Strategy Implementation Questionnaire” (IAESIQ) and Spearman's Rank order correlation coefficient (ρ) and multiply regression analysis were used to analyze the data collected and this was computed with the aid of STATA 12 software.

Model specification

The model formulated for this study is stated below:

$$Y = \alpha + \beta_1(X_1) + \beta_2(X_2) + \dots + \epsilon$$

Where:

Y = Dependent variable (OSI)

X₂ = Corporate Resources Utilization (CRU)

Therefore, the model is

$$OSI_{it} = \beta_0 + \beta_1 CRU_{it} + \epsilon_{it} \dots \dots \dots (1)$$

DATA ANALYSIS AND RESULTS

Test of Hypothesis

Table 1: Summary of Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
cru	82	3.365854	.8820878	1	4
osi	82	3.268293	.9302698	1	4

Source: STATA 12

Note: cru = Corporate Resources Utilization; osi = organizational strategy implementation.

Table 1 shows that corporate resource utilization has a mean response of 3.37 and a standard deviation of .8820878 while organizational strategy implementation has a mean of 3.27 and a standard deviation of .9302698 with a minimal and maximum of 1-4 respectively.

Table 2: Correlation result

	cru	osi
cru	1.0000 82	
osi	0.93337* 82	1.0000 82
	0.0000	

Source: STATA 12

Table 2 shows that corporate resource utilization and organizational strategy implementation are positively correlated. This shows a significant and positive correlation.

Table 3: Regression result of Ho1: $OSI_{it} = \beta_0 + \beta_1 CRU_{it} + \varepsilon_{it}$ (1)

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. regress osi cru
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Source	SS	df	MS			
Model	62.8781337	1	62.8781337	Number of obs =	82	
Residual	7.21942724	80	.090242841	F(1, 80) =	696.77	
Total	70.097561	81	.865401987	Prob > F =	0.0000	
				R-squared =	0.8970	
				Adj R-squared =	0.8957	
				Root MSE =	.3004	

osi	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
cru	.998839	.0378401	26.40	0.000	.9235348	1.074143
_cons	-.0936533	.1316137	-0.71	0.479	-.3555728	.1682663

Source: STATA 12

Table 3 reports the result of regression estimation that test Ho1. The standard robust error in the regression addresses heteroskedasticity. There is no issue of multi collinearity as the variance inflation factor values are below the threshold. The F statistics in Table 3 shows that the model exhibit excellent fit. The independent variables in the model explain 89% of the variation in organizational strategy implementation. Table 3 further shows a positive and highly significant relationship between corporate resource utilization and organizational strategy implementation (p-value = 0.000). It indicates that all other variables held constant, a 1% increase in corporate resource utilization as results in a .99% increase in organizational strategy implementation of the firm. Consequently, we reject the hypothesis which means that there is a significant

relationship between corporate resources utilization and organizational implementation of strategies in firms in Nigeria.

DISCUSSION OF FINDINGS AND CONCLUSION

From the test of hypothesis, the study revealed that there is a significant relationship between corporate resources utilization and organizational implementation of strategies in firms in Nigeria. This study finding is in line with the work of Elbanna, *et al.* (2016) that revealed: “that formal strategic planning has a strong positive relationship with implementation, which, though mediated by managerial involvement, becomes even more salient in the face of stakeholder uncertainty”. This result may be as a result of the believe that corporate resources utilization as advocated by the internal audit department will aid in the actualization of organization strategies. This study therefore, concludes that there is a significant relationship between corporate resources utilization and organizational implementation of strategies in firms in Nigeria.

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