



## **Effect of Strategic Management Strategies on Performance of the Manufacturing Firms in Mexico**

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# Effect of Strategic Management Strategies on Performance of the Manufacturing Firms in Mexico

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## Abstract

The study sought to examine the effect of strategic management strategies on the performance of the manufacturing firms in Mexico. The study was conducted in Cemex company. The target population was 274 employees, who included managers and support staff from Cemex company in Mexico. The study used the purposive sampling technique to get the sample. The interview guides were administered to the managers, while closed-ended questionnaires were used for the support staff. The results of the study indicated that strategic management strategies are positively and significantly related to performance. The study stated that strategy management enables the companies to have the capability to absorb the most effective workforce and increase the competitive advantage. The strategy management promotes efficient allocation of the resources within the functional units. The availability of strategic leadership enables the organization to allocate resources more effectively within various departments. The distribution of funds relies on the nature of complexity within the departments. The study indicated that the strategy formulation in the organization is that it facilitates environmental scanning. Environmental scanning is the process of gathering information about events and their relationships within an organization's internal and external environments. The significance of environmental scanning is that it helps the management to determine the future direction of the organization after being aware of the potential shifts in the market. The study concluded that strategic management is significant in assessing the performance of the manufacturing firms in Mexico. The study recommended companies look for that strategic management that is more practical and achievable.

**Keywords:** *Strategic management strategies, performance, manufacturing firms, Cemex company, Mexico*

## **1.0 INTRODUCTION**

The performance of institutions is what makes the company formulate its strategies more effectively. The performance indicators are fundamental for the effective management of the companies (Andrews, Boyne & Walker, 2014). The process of firm improvement is not possible without measuring the performance. Firm performance refers to the achievement made based on the vision and mission stipulated (Tavassoli & Bengtsson, 2018). Financial and non-financial indicators are used to measure performance. The economic indicators include profitability, return on assets, return on equity and sales revenue, while non-financial indicators comprise market share, customer retention and company reputation (Khalid, Islam & Ahmed, 2019). The return on assets shows the percentage of the assets' profitability in generating revenue (Khoshtaria, 2018). Return on equity is a measure of the profitability of a business concerning equity/capital.

Strategic management is considered to be fundamental in determining performance. Strategic management is the ongoing planning, monitoring, analysis and assessment of all necessities an organization needs to meet its goals and objectives (Abell, 2018). Strategic concerns need the decision from the top management. The monitoring process is also responsible for various other stakeholders that form part of the organization (Bantel & Osborn, 2013). The strategy implementation involves the managers of an organization, as well as any crucial staff members, that can proactively add to the long-lasting planning of the company. Each team member needs to choose who ought to participate in the planning procedure. Strategic monitoring provides comprehensive instructions by establishing strategies and plans created to achieve goals and afterward allocating sources to carry out the plans (Allen, Helms, Takeda, White & White, 2016). Strategic monitoring assists a decision-maker in obtaining outfitted with administration requirements or anticipating modifications and routing the organizational activities along the appropriate path (Andrews, Boyne & Walker, 2014)

The strategy management promotes efficient allocation of the resources within the functional units. The availability of strategic management may enable the organization to allocate resources more effectively within various departments (Abell, 2018). The distribution of funds relies on the nature of complexity within the departments. Having the lowest production costs enables the organization to sell its products cheaply in the market and thus gain a competitive advantage. The strategy formulation in the organization is that it facilitates environmental scanning. Environmental scanning is the process of gathering information about events and their relationships within an organization's internal and external environments (Andrews, Boyne & Walker, 2014). The significance of environmental scanning is that it helps the management to determine the future direction of the organization after being aware of the potential shifts in the market. Thus, it can be noted that strategic management practices are one of the critical drivers of performance (Auzair & Smith, 2015). A reliable and robust strategy can act as a turnaround strategy in improving the overall performance. The study's conducting was considered fundamental given that most of the manufacturing firms in Mexico have been reporting losses since 2015. Some companies have been running the retrenchment now and then to see whether they can minimize production costs (Bowman & Ambrosini, 2017).

## **1.2 Statement of the problem**

The sales growth, market share and expansion of the Cemex company in Mexico has been inadequate. The company has not recorded any profits since 2017. Besides, it is estimated that over 60 percent of local consumers prefer products from other international companies even though it is one of the largest cement producers in the company (Chan & Wong, 2019). The

inadequate performance of the institutions is what formed the rationale of the study. The company needs to formulate strategies that are capable of increasing performance as well as developing customer loyalty. The performance indicators are fundamental for the effective management of the companies (Andrews, Boyne & Walker, 2014). Both the financial and non-financial indicators need to be considered necessary for the examination. The financial measures include profitability, return on assets, return on equity and sales revenue, while non-financial indicators comprise market share, customer retention and company reputation. This formed the justification to conduct the study to examine the effect of strategic management strategies on performance of Cemex company in Mexico

### **1.3 Research Objective**

The research objective of the study was to examine the effect of strategic management strategies on performance of Cemex company in Mexico.

## **2.0 LITERATURE REVIEW**

### **2.1 Theoretical Review**

The research was based on the administrative theory. The managerial concept was presented by Henry Fayol in the early 1920s. The concept concentrates on organizational problems from the manager's perspective. The administrative concept is based upon the idea of departmentalization (grouping tasks right into divisions). Different activities to be executed to accomplish the organization's usual function ought to be recognized as well as categorized right into various other groups or divisions (Kiggundu, Jørgensen, & Hafsi, 2010). Hence, more focus should be laid on organizational management and the human and behavioral factors in the management. The primary emphasis of this method is on how the company's administration is structured and just how well the people therein are organized to accomplish the tasks given to them. The crucial point below is that management theory concentrates on boosting monitoring's performance first to make sure that the processes can be standardized and afterward moves to the operational level where the private employees are made to discover the adjustments and execute those in their routine jobs. Preparation, Organizing, Directing, collaborating and also controlling are critical to the success of any company.

The theory indicates that Strategic management include surveillance and examination of plans. Activities and results with a view towards future action. Strategic control primarily targets ensuring that the company maintains a reliable placement with its atmosphere and moves toward accomplishing its strategic objectives. Strategic control systems give managers the tools to regulate and govern their activities (Beard & Dess, 2018). Continuous improvements, as the name suggests, are a practice of constantly re-examining as well as boosting procedures. It is a constant procedure to promote the products, solutions or processes of a company (Beekun, & Ginn, 2016). The improvements looked for can be incremental with time or achieved with an advancement minute. A constant enhancement method is any policy or process within an office that helps keep the focus on boosting the waypoints are done regularly.

The appropriation of the resources depends on what items, solutions as well as markets will undoubtedly be a part of the future and also what we should refrain from doing. These sorts of decisions are vital to ensuring that restricted resources are being deployed to one of the most appealing possibilities that will certainly supply the greatest return. The method facilities the process of environmental scanning. This environmental scanning is the procedure of gathering info regarding occasions as well as their connections within an organization's interior and also outer atmospheres. The essential purpose of environmental scanning is to help monitoring

establish the future direction of the company. Recognizing and preparing for future changes in the market or sector offers the opportunity to take action before it occurs.

The concept is based on different principles. The initial focus of the Administrative Concept is the division of Job (Wren, Bedeian, & Breeze, 2002). The job needs to be separated amongst the people based on their field of expertise to guarantee their complete focus on the efficient conclusion of the job assigned to them. The second concept is authority and also Obligation (Kiggundu, Jørgensen, & Hafsi, 2010). The authority, as well as Duty, relate to every various other. Authority indicates the right to provide orders, while the Obligation suggests being responsible. Therefore, to whomsoever, the authority is given to precise obedience should be delegated anything that goes wrong. The third concept is Self-control: The individuals working in the company must be well-disciplined (Kiggundu, Jørgensen, & Hafsi, 2010). Technique refers to the obedience and respect revealed by the employees in the direction of others. Thus, the theory was seen to be significant in informing the study.

## **2.2 Empirical Review**

A study by Castro and Martins (2010) showed that strategy implementation is the procedure by which an organization equates its chosen strategy into action strategies and activities, which will undoubtedly guide the organization in the direction set out in the technique as well as enable the organization to accomplish its critical goal. The technique application can take the kind of temporary objectives, valuable tactics and developing firm plans. The method execution consists of creating an intent on accomplishing the short-term objectives (Jiang & Zhao, 2017). The temporary goals are specific tasks that need to be completed to meet interim objectives. Short-term objectives, subsequently, assist long-lasting targets. Practical application of the short-term objectives is critical to the long-term success of the organization. The functional strategies are the vital routine tasks that have to be executed in every good area, such as personnel management, operations/production, financing, advertising, and r & d for giving the business's services and products. Valuable methods are primarily concerned with a business's functional areas, which support the wanted reasonable business degree strategy and complement each other. Strategies are the particular activities that result in executing the techniques (Zou, Zillante & Coffey, 2012).

The business plans and procedures are typically created in critical administration conferences to the organization's most significant degree (Hornstein, 2015). In some organizations, department managers develop department-specific plans and procedures based upon the work jobs' nature. These policies include the structure, leadership as well as culture that need to have complied with within the organization. De Carvalho, Patah, and De Souza Bido (2015) noted that services or product differentiation make the product and services stand apart from the target audience. It consists of the uniqueness of the product out there that makes it conveniently identified from the rest of the service or products. Notably, differentiation includes how business means to distinguish what they offer from rivals, raising brand commitment, sales, and growth (Sanchez-Losado, 2012). A company that differentiates itself usually looks for valuable qualities that they have that can set them and their competitors.

The method strategy execution includes creating an intend on exactly how to accomplish the short-term objectives (Abell, 2018). The goals are specific tasks that have to be finished to fulfill short-term dreams. Temporary purposes, subsequently, help long-lasting targets. Reliable execution of the short-term goals is vital to the long-term success of the organization. The functional tactics are the regular essential activities that have to be performed in every active area such as personnel monitoring, operations/production, money, marketing, and

research and development for offering the product or services of business (Allen, Helms, Takeda, White & White, 2016). Valuable strategies are mainly concerned with an organization's activities that sustain the preferred affordable organization level strategy and enhance each other. Techniques are the detailed actions that bring about applying the techniques.

Business plans and treatments are generally formed in critical monitoring conferences at the top level of the organization. In some companies, division managers create department-specific plans and procedures based upon the work jobs' nature (Andrews, Boyne & Walker, 2014). These policies include the framework, leadership, and culture that require to be stuck to in the company. strategic control and also constant renovation. Efficiency measurement is vital for the effective monitoring of any company. The process of firm enhancement is not feasible without gauging the results. Therefore, business performance renovation requires dimensions to recognize the level to which business resources influence service performance (Auzair, & Smith, 2015),

Strategic control involves the surveillance and examination of plans, activities, and results to view future action (Bantel & Osborn, 2013). Strategic management primarily targets ensuring that the company maintains a reliable placement with its atmosphere and moves toward accomplishing its strategic objectives. Strategic control systems give managers the tools to regulate and govern their activities (Beard & Dess, 2018). Continuous improvements, as the name suggests, are a practice of constantly re-examining as well as boosting procedures. It is a constant procedure to promote the products, solutions or processes of a company (Beekun, & Ginn, 2016). The improvements looked for can be incremental with time or achieved with an advancement minute. A constant enhancement method is any policy or process within an office that helps keep the focus on boosting the waypoints are done regularly.

Upagade and Shende (2012) indicated that strategy implementation is more of examining the cost of production. Cost leadership is potent in developing a competitive advantage by having the lowest operating price in the market. This technique is particularly advantageous in a market where the rate is a necessary factor. The primary goal to attain expense leadership is to become the lowest-cost producer contrasted to the rivals. This is generally acquired by large-scale production, making it possible for the company to obtain economic climates of range or innovating the manufacturing procedure. Therefore, companies require to have the least manufacturing cost to ensure that the items' rates are lessened and, consequently, the firm acquires a competitive advantage and can expand the sales earnings.

### **3.0 RESEARCH METHODOLOGY**

The study adopted the explanatory research design. The target population was 274 employees who included managers and support staff from cemex company in Mexico. The study used purposive sampling technique to get the sample. The interview guides were administered to the managers while closed ended questionnaires were used for the support staff.

### **4.0 DISCUSSION OF THE FINDINGS**

The section of the discussion of the findings included the model fitness and the regression of coefficients.

#### **4.1 Model of Fitness**

The model of fitness is presented in Table 1. The importance of the model of fitness was to elaborated the coefficient of the determination.

**Table 1: Model of Fitness**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.205a	0.305	0.273	0.004

a Predictor: Strategic management strategies

The results depicted in Table 1 show that strategic management strategies were found to be satisfactory in explaining the performance of manufacturing firms in Mexico. The results are supported by the coefficient of determination which was 30.5%. This indicated that 30.5% of the variations of the performance is explained by the strategy management. Strategic management facilitates the differentiation of products and services, thus expand the target audience. It includes the uniqueness of the product in the market that easily identifies the rest of the products or services. Notably, differentiation includes how the business intends to distinguish what they sell from competitors, increasing brand loyalty, sales and growth. A business that differentiates themselves typically look for one or more marketable attributes that they have that can set them apart from their competitors.

Strategic control involves the surveillance and examination of plans, activities, and results to view future action (Bantel & Osborn, 2013). Strategic management especially targets at making sure that the company is maintaining a reliable placement with its atmosphere and moving toward accomplishing its strategic objectives. Strategic control systems give managers the tools to regulate as well as govern their activities (Beard & Dess, 2018). Continuous improvements are a practice of constantly re-examining as well as boosting procedures. It is a constant procedure to promote the products, solutions or processes of a company (Beekun, & Ginn, 2016). The improvements looked for can be incremental with time or achieved with an advancement minute. A constant enhancement method is any policy or process within an office that helps keep the focus on boosting the waypoints are done regularly.

#### 4.2 Regression of Coefficients

The results presented in Table 2 depicts the regression coefficient

**Table 2: Regression of Coefficient**

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.0240	0.004		6.048	0.001
strategic management strategies	0.1056	0.046	0.128	2.945	0.029

The results presented in Table 2 shows that strategic management strategies is positively and significantly related to performance. The results are supported by the calculated t-statistic of 2.945, larger than the critical t-statistic of 1.96. This meant that when the organization's strategic management increases or improves by one unit, the performance will subsequently increase by 0.1056 units when other factors are held constant. This implied that strategic management is fundamental in increasing performance. The importance of the strategic

management strategies is that it enables the organization to have the capability of the absorption of the most effective workforce. If you recognize where you want to take your organization over the long term, you will undoubtedly have a better concept of the type of capacities you will certainly need to attain your objectives. Strategy defines and drives decisions in business design. The strategy helps with the procedure of efficient source allowance. Having a plan will enable the company to allocate the available resources more effectively. The significance of the strategy formulation is the efficient allocation of resources. The distribution of funds relies on the nature of complexity within the departments.

Strategic management's importance is that it enables the company to develop a mechanism to produces goods and services at the lowest price. The implication of having the lowest production costs is that it allows the organization to sell its products cheaply in the market and thus gain a competitive advantage. Furthermore, the study indicated that the strategy formulation in the organization is that it facilitates environmental scanning. Environmental scanning is the process of gathering information about events and their relationships within an organization's internal and external environments. The significance of environmental scanning is that it helps the management determine the organization's future direction after being aware of the potential shifts in the market. The study concluded that strategic management is significant in assessing the performance of the manufacturing firms in Mexico. The study recommended companies look for that strategic management that is more practical and attainable.

## **5.0 Conclusion**

The study concluded strategic management strategies are fundamental in increasing the performance of organizations. Strategic decisions entail substantial appropriations of individuals, physical assets, or moneys that need to be rerouted from internal resources or protected from outside the firm. The strategic choices dedicate the firm to activities over a prolonged duration. Strategic choices ostensibly devote the firm for a very long time, generally five years, with the effect lasting a lot longer. Once a company has dedicated itself to a particular technique, its picture and competitive advantages usually are linked to that strategy. Firms become known in specific markets, for sure items, with specific technologies. They would threaten their previous gains if they moved from these markets, items, and technologies by taking on substantially various strategies. Strategic decisions are based on what manager's projection, as opposed to on what they understand. Strategy formulation enables the business to focus on the growth that will allow the company to pick one of the most encouraging calculated choices. Strategic decisions have complex ramifications for the majority of locations of the company. Decisions about such issues as customer mix, competitive focus, or organizational framework always include various the company's critical organization systems (SBUs), departments, or program systems. Every one of these areas will undoubtedly be affected by allotments or reallocations of responsibilities and sources that arise from these choices.

The strategy management promotes efficient allocation of the resources within the functional units. The availability of strategic management may enable the organization to allocate resources more effectively within various departments. The distribution of funds relies on the nature of complexity within the departments. The study also showed the importance of strategic management because it enables the company to develop a mechanism to produce goods and services at the lowest price. The implication of having the lowest production costs is that it allows the organization to sell its products cheaply in the market and thus gain a competitive advantage.



Furthermore, the study indicated that the strategy formulation in the organization is that it facilitates environmental scanning. Environmental scanning is the process of gathering information about events and their relationships within an organization's internal and external environments. The significance of environmental scanning is that it helps the management determine the organization's future direction after being aware of the potential shifts in the market. The study concluded that strategic management is significant in assessing the performance of the manufacturing firms in Mexico. The study recommended companies look for that strategic management that is more realistic and achievable.

### **6.0 Recommendations**

The study recommended that Cemex company need to look more at the strategic management strategies. The regression results showed that the increase in the strategic management choices increases performance. Strategic management's importance is to enhance the efficient allocation of resources within different departments in an organization. The availability of strategic leadership may enable the organization to allocate resources more effectively within various departments.

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