

## CONCENTRIC GROWTH STRATEGY AND CORPORATE AGILITY IN DEPOSIT MONEY BANKS IN PORT HARCOURT

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### **Abstract**

*This research work examines the association between strategic growth options and corporate agility amongst banks in Port Harcourt. The study was conducted at the group macro-level of analysis and group unit of analysis, and drew its research data from a population of 49 departments drawn from 8 money deposit banks in Port Harcourt. The major data collection instrument was questionnaire supported with scheduled interviews. The data collected were analyzed using Descriptive (Univariate) and inferentially (Bivariate and Multivariate). Inferentially, the research hypotheses were tested using Spearman's Rank Order Correlations Coefficient. Drawings from the test results and discussions, the study found that such growth strategies as Concentric, Integrative and Diversifications, directly increase the sustenance of corporate banks robustness and agility. Thus, the study concluded that corporate resilience of money deposit banks is a function of the effective implementation of growth strategies. The study therefore recommended that banks should maintain constant growth consciousness to sustain their desired resilience.*

### **Introduction**

Strategy is a buzz word in the business sphere. It is a corporate mantra as it relates to the survival and competitiveness of business organizations. There is a consensus amongst business strategists that the concept of strategy has its etymological origin in the Greek military where "stretago" meaning the art of war was the major concern of the Greek generals to out with and defeat their enemies (Kazmi, 2006).

However, Bufett (2009) has argued that 'strategy' was adopted by corporate managers because both the military and business share the same pattern of confrontation in terms of defensiveness and offensiveness. This has implanted strategic management into business processes and literature. Strategy according to David is a broad concept used to describe the most preferred option, or the choice of actions chosen by an organization to optimally achieve set objectives within a competitive and a dynamic business environment. Again, depending on the strategic choice, the overriding aim of any strategy is survive and have competitive edge over its competitor.

Drawing from the foregoing therefore, growth strategies are multiple strategic options intended to expand the operating scope of a business concern.

Three major types of growth strategies are identified in the strategic management literature. Glueck (1980); Hatten (1987); and Fubara (2006) tend to agree that with its expansion tendencies, growth strategy exists in concentration strategy; diversification strategy; and integration strategy. These aspects of growth strategy, according to David (2014) are not mutually exclusive. It is also a common knowledge amongst business strategists that growth strategies are preferred options in a stable business environment, high industrial growth rate, rapid market growth, and strong competitive position of the firm in the industry (Fubara, 2016). Thus growth strategies are meant to secure and maintain a firm's robustness and industrial leadership.

Organizational agility on the other hand is the ability to sense environmental change and quickly respond to unpredicted change by flexibly assembling resources, processes, knowledge and

capabilities (Yang & Liu, 2012 as cited in Applebaum et al., 2017). While organizations are required to be capable of responding to changes in their environment, it's been noted that within rapidly changing and high uncertainty environment, the *speed and rapidity* of organizational response to change will be one of the most critical factor of success. Sherehiy and Karwoski (2014) noted that agility is an enabler of competitive advantage and business performance. The concept of agility in management sciences has originated from the notion of "agile manufacturing" in production systems, which are attempts to enable organizations meet the needs of a changing marketplace; shift quickly between products and also factor the evolution of customer needs (Zitkiene & Deksyns, 2018).

Furthermore, organizational agility emphasizes speed and flexibility as the primary attributes of resilient organizations (Gunasekaram, 1999 as cited in Nafei, 2016). The 2011 study by Bessant, et al., (as cited in Nafei, 2016) defines agility as the proactive response to change. Agility requires that organizations practice and perfect the timely use of its people, resources and "know-how" in order to build a rapid response to any change or perceived change. It suggests organizations that are constrained by slow systems and bureaucratic decision making s may fail to react in a timely manner towards environmental change and may thus fail to overcome inherent challenges.

Thus, organizational agility encompasses all the capabilities of a firm that aids responsiveness in structure and function and which are often applied to match the competitive interest of the firm. This article shall examine the association between concentric growth strategy and corporate agility in Nigerian Deposit Money Banks.

### **Statement of the Problem**

Banks appear to be operating in a more dynamic and complex environment than any other sector. This appears to be the case because there is no sector whose interest does not revolve around

banking operations, even the non-business or non-for-profit organizations. Given this central position of banks, the banks tend to bear or rather infected by problems which not directly theirs, but are from other industrial operations. In Nigeria, banks are face with operating difficulties, arising from it highly regulated environment (Kazmi, 2006). From the era of banks distress syndrome that gave birth to the recapitalization programme, series of environmental threats confront the survival of banks. There is the fear that more stringent regulatory measures await banks, and their number will further be reduced. This means that only well-grounded banks will be able to retain their operating license and the way out of this logjam necessitates this research work.

### **Research Questions**

This study will attend to the following research question:

1. What is the association between concentric growth strategy and corporate agility?

### **Research Hypotheses**

The following research hypothesis will be tested in this study:

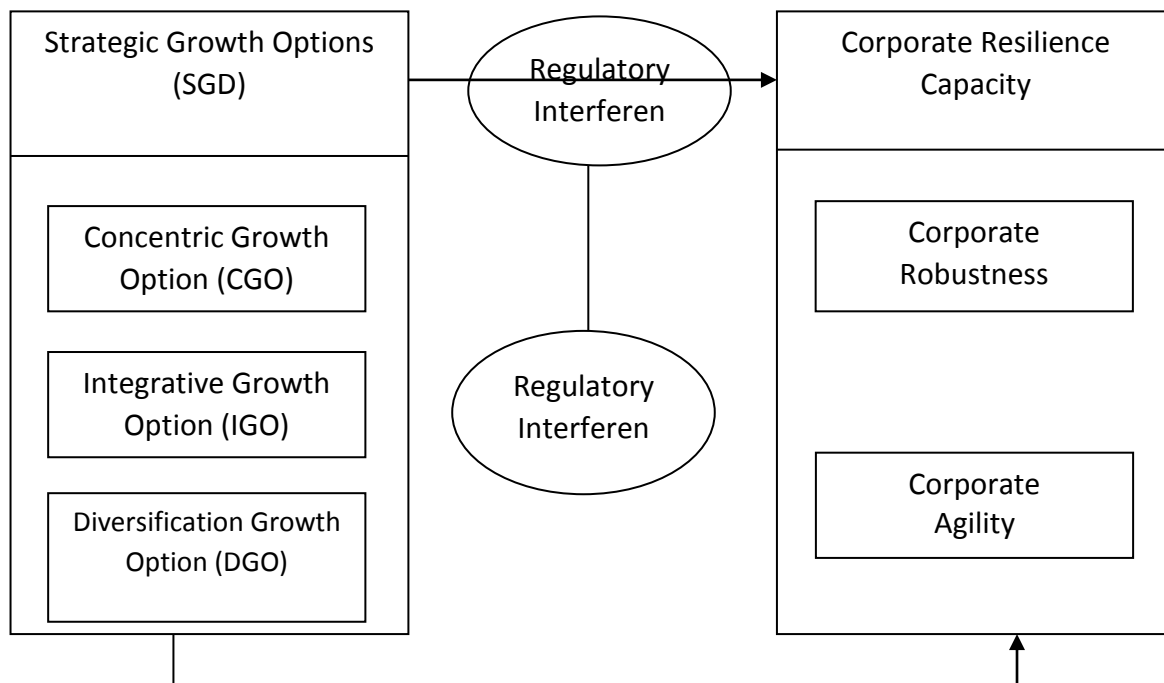
**H<sub>01</sub>:** There is no significant association between concentric growth strategy and corporate agility

### **Significance of the Study**

The pivotal role of the banking industry in the socio-economic development of any society is incontestable, to the extent effectiveness of banking operations determines to a large extent the direction of business growth. Thus a study of bank resilient capacity in Nigeria amidst the prevalent threatening turbulence cannot be less significant.

This study will present to bank managers and administrators the growth precepts upon which the resilient capacity of banks will be improved to withstand the dynamic turbulence in the business environment. The implication of this significance is that practitioners will use the outcome of this study to enrich decisional inputs for banks effective management.

## Conceptual Framework



**Source:** Dimensions of Predictor Variable were derived from David (2014) and Urieto (2000) the measures of Criterion Variable were derived from Chu (2015). This research work adopted the above stated conceptual frame work constructed by the above named authors but shall concentrate on the association between growth strategy and corporate agility as it impacts on the present research work.

## Literature Review

### Dimensions of Growth Strategy

Growth strategies involve a dynamic state of choice-making to secure the expansion objective of the firm, and it may take one or more of concentric growth, integrative growth and diversified growth options, depending on the business environment or the peculiar firm's situation (rapid market growth, slow market growth, strong competitive position or weak competitive position (Kazmi, 2006).

### Concentration Strategy

This is a business expansion strategy involving the concentration on a single business to widen the scope of business operations on that particular business (Urieto, 2006). The expansion may be spread to cover new geographic locations, but the same business is maintained. It appears most appropriately adopted demand exceeds or is perceived to exceed supply across geographical or regional markets.

However, in circumstances where a major business offering substitutes to a firm's product or

service suddenly goes out of business, concentration growth strategy may be adopted to take advantage of the sharp positive shift in demand, in the favour of the firm (Kazmi, 2006).

Urieto (2006) listed the gains of concentration of growth strategies as: easy manageability, devoid of matrix organizational structure, creation and promotion of more uses for the product; taking a commodity item and making a broader and different product out of it; usage of advertising and promotional effort to stimulate demand; attracting non-users to buy the product; developing more compelling sale appeals; making the product available through additional types of distribution channels; providing market outlets for complementary by-products; and capitalizing or social concern (Kazmi, 2006).

However, the danger of concentric growth strategy is that any misfortune devastates the entire business concern.

### Integrative Growth Strategy

Most often called vertical integration strategy, is a growth strategic alternative involving the extension of the firm's business perimeters in two possible directions. These directions are backward or upward integration (David, 2014). Urieto (2006) contended that, "a backward integration strategy has the firm entering the business of supplying some of the firm's present inputs". This implies that the firm's present inputs". This implies that the firm moves to the stages preceding its point of operation on the product value chain. Further implication is that the firm assumes a supplier to itself (Kazmi, 2009).

This can put the firm under a different business situation controlled by different environmental contingencies.

However, the forward or upward integration strategy places the firm in a position whereby it turns to be a supplier to itself, by creating business portfolios that succeed its position on the product value chain (Kazmi, 2009).

The most common of forward vertical integration approaches is the establishment of distribution outlets to sell the product of the firm closer to the ultimate consumer (Urieto, 2006). It is contended that the rationale for adoption of vertical integration strategy are: growth in volume and not complexity will lead to a more capital intensive operations; and firms who have secured long linked technologies have greater advantages through vertical integration.

### **Diversified Growth Strategy**

Because of fragmented business opportunities each being distinct from the other and not perhaps robust enough to attract concentric strategy, a firm can go diversified. But more strategically, Urieto (2006) and Kazmi (2006) share the view that diversification strategy involves spreading of business risk among different portfolios of a particular firm.

This is achieved through related and unrelated diversification. More specifically, in the related diversification, the firm engages in similar line of businesses, involving related technology, markets, distribution channels, methods of operations, etc. the unrelated diversification involves

entering into a different kind of business with distinct characteristics.

### **Agility**

Sarker and Sarker (2009), view agility as a multifaceted concept that has three dimensions, namely: resources, processes and linkages. Hitt et al., (as cited in Nafei, 2016) reported that organizational agility is a proactive management strategy that aims at maintaining the organization's resources and achieving the desires of customer in a timely manner. Agility enables an organization to eliminate procedural and behavioral barriers to a timely reaction in every day activity. Agility also provides the right kind of structural versatility needed for thriving in a dynamic business environment.

Zitkiene and Deksyns (2018) contend that agility could deliver global marketplace [competitiveness for firms and agile firms should consequently have structures that are flexible and appropriately responsive. Nafei (2016) also asserts that the characteristics of an agile organization are rooted in two related concepts, namely; organizational adaptability and organizational flexibility. Various models of organizational agility are available in literature along with diverse research stream that attempt to provide insights & strategies for understanding and building agile people and systems. Notable among this model is the theoretical distinction between workforce agility and system (or technology) agility.

Mavi and Wahab (2013) contents that both workforce and system perspective of agility enable rapid and timely organizational response to change. An agile workforce is reported to have two predominant attitudes which are; a) cross training and b) flexibility. The notion that individual or workforce agility influence overall organizational or system agility is further validated by Getwerkin (2018) in noting that "the biggest hurdle to agile transformation is culture, yet agility is highly people-centered and agile paradigms empower teams to do their best, leverage individual talents and interests and facilitate continuous learning and development"

Agility models are designed and used within organizations to support corporate interest in building agile systems, processes and people and also for creating resilience capabilities that may be suitable for the kind of tension and dynamism in their environment. Kamani (2016) reported that there are several organizational models of Agility, which include; the model by Sharp *et al.*, that provides a theoretical model for agile manufacturing and Goldman *et al.*, model, which is applied to new technologies and communication effectiveness At the core of organizational resilience capability is rapid decision making and execution which also define the concept of agility (Prats et al., 2018).

An appropriate model of agility should include the organization's capabilities, industry characteristics and type of pressure driving the change and the potential benefits of achieving agility; given that agility as a construct involves strong levels of awareness, speed and nimbleness in the environment of the organization (Kamani, 2016). Nafei (2016) also identified 'three important dimensions of agility namely: sensing agility, decision making agility and acting agility, which collectively highlight the critical connection between agility and resilience.

### Technology as a Moderating Variable

According to Kumar (as cited in Wahab, Rose & Osman, 2012) technology consists of two primary components: 1) a physical component which comprises of items such as products, tooling, equipment, techniques, and processes; and (2) the informational component: which consists of know-how in management, marketing, production, quality control, reliability etc. Technology as presently used within organizations has diverse definitions, forms

and utility. Scholars have also observed that technology as a concept exists within the environment of other organizational capabilities and thus helping (or moderating) organizations and the individuals: within them, towards better responses when faced with challenges (Oscar, Ferran, Arostegui, Nieves, & Glenn, 2016).

### Research Methodology

The study was conducted at the group macro-level of analysis and group unit of analysis, and drew its research data from a population of 49 departments drawn from 8 money deposit banks in Port Harcourt. The major data collection instrument was questionnaire supported with scheduled interviews. The data collected were analyzed using Descriptive (Univariate) and Inferentially (Bivariate and Multivariate). Inferentially, the research hypotheses were tested using Spearman's Rank Order Correlations Coefficient.

### Reliability and Validity Tests

We have discussed in the previous section that, our data collection technique is a composition of both primary and secondary devices, involving the collection of qualitative and quantitative data. However, our adoption of the questionnaire as the major data collection instrument in this study raised the question of the validity and reliability of our research instrument. The issue of reliability and validity are critical to the confidence and acceptability of any research results (Ahiauzu, 2007:1-14). Zikmund (1994:97) argued that reliability is the degree to which measures are free from error and therefore, yield consistent results, and validity is the ability of a scale or measuring instrument to measure what is intended to be measured.

### Reliability Test: Cronbach Alpha

**Table 3.1: Cronbach Alpha Test**

VARIABLES	ITEMS	CASES	ALPHA
SGO	9	27	0.780*
CRC	3	9	0.799*
RI	3	9	0.756*

## Data Presentation and Analysis

### Data Presentation

In this chapter, the research data are treated and presented through data cleaning,

questionnaire distribution and response rate, mean distribution of study variables, hypotheses testing and interpretation of results.

**Table 4.1: Data cleaning and Questionnaire Distribution**

No Distributed	No retrieved	Usable Copies (%)
66	53	0.803

**Source: Research Data 2020**

The table above represents data cleaning and questionnaire response data. It shows that 66 copies of the questionnaire were distributed, and 53 copies were retrieved. From the data cleaning exercise, out of the 53 retrieved copies, only 49 copies were found usable. The 49 copies represent 0.803% of 66. In further analysis, the 49 copies are treated as 100%.

### Data Presentation on Respondents Demographics

The demographic section of the data presentation helps to show the respondents' profile and characteristics that are relevant for understanding the firms concerning the variables of the study. This is necessary to determine how certain behavior of the firm are accounted for in response to strategic growth options and firms resilience.

**Table 4.2: Age Distribution of Banks**

Years	Frequency	Percentage
Less than 10 years	4	
10 – 30 years	12	
31 and above	6	
Total		

**Source: Research Data 2020**

Table 4.2 shows the age distribution of banks as represented by representative respondents. It reveals that 4 banks have been in operation less than 10 years; 12 banks fall within the bracket of 10 – 30 years of operation; and 6 banks have been in operation from 31 years and above.

### Univariate Analysis of Study Variable

Under this section, a descriptive analysis is done on the dimensions and measures of the study variables in a univariate nature. This allows for uni-assessment of the mean scores of the variables.

**Table 4.3: Mean Scores on Dimensions of Strategic Growth Options**

Descriptors	Concentric Growth Option	Integrative Growth Option	Diversification Growth Option
N	49	49	49
Mean	4.8105	4.7124	4.5120
Std. Deviation	.20281	.27503	.29829
Minimum	4.33	4.33	4.00
Maximum	5.00	5.00	5.00

**Source: Research Data 2020**

Table 4.3 presents mean scores on the dimensions of the strategic growth option. Three dimensions were considered, involving: concentric growth with a mean of 4.8105 and a standard

deviation of .20281. Integrative growth has a mean score of 4.7124 and a standard deviation of .25703; and diversification growth has a mean score of 4.5120 and a standard deviation of .29829.

Comparatively, it implies that banks slightly engage in more of concentric growth strategy than in integrative growth and diversification growth options.

The bi-variate analysis involves the test of hypotheses. The hypotheses test was done using Spearman's Rank Order Correlation Coefficient  $r^2$ . The table 4.6 below shows the test results.

### Bi-Variate Analysis

**Table 4.6: Hypotheses Testing Matrix**

1	2	3	4	5		
Concentric		Spearman's Correlation Sig. (2-tailed)	1			
Integrative		Spearman's Correlation Sig. (2-tailed)	.935**	1		
Diversification		Spearman's Correlation Sig. (2-tailed)	.757**	.826**	1	
Robustness		Spearman's Correlation Sig. (2-tailed)	.833**	.849**	.880**	1
Agility		Spearman's Correlation Sig. (2-tailed)	.852**	.929**	.936**	.842**
			.000	.000	.000	.000

#### Source: Research Data 2020

The matrix table above shows the result of the six (6) bi-variate hypotheses tested.

#### The Relationship between Concentric Growth Option and Measures of Corporate Agility

This relationship involves test of  $H_{O1}$  (Concentric Growth Option and Corporate Robustness) and  $H_{O2}$  (Concentric Growth Option and Corporate Agility). The result for  $H_{O1}$  shows that concentric Growth Option has a strong correlational relationship with corporate robustness. The empirical evidence provides  $R = 0.833$ ,  $P < 0.05$ . This indicates that concentric growth strategic option significantly correlates with corporate robustness as indicated in the Gullfords scale. In  $H_{O2}$ , testing the relationship between concentric growth option and

corporate agility, the table show a correlation of  $R = 0.852$ ,  $P < 0.05$ . Again, this relationship correlational significant given that  $8 > 0.20$ .

#### The Relationship between Diversification Growth Option and Measures of Corporate Agility

The tests of these relationships involves  $H_{O5}$  (Diversification Growth Option and Corporate Robustness) and  $H_{O6}$  (Diversification Growth Option and Corporate Agility). The result of  $H_{O5}$  shows that  $R = 0.880$ ,  $P < 0.05$ , this indicates a correlational significance. In  $H_{O6}$ ,  $R = 0.936$ ,  $P < 0.05$ . This also expresses positive relationship.

**Table 4.7: Summary of Results of Bi-Variate Analysis**

Null Hypothesis	R Value	R <sup>2</sup> Value	P Value	Strength	Decision
$H_{O1}$	0.833	0.694 Substantial	<0.05	High	Supported
$H_{O2}$	0.852	0.726	<0.05	High	Supported

		Substantial			
H <sub>03</sub>	0.849	0.721	<0.05	High	Supported
H <sub>04</sub>	0.929	0.863	<0.05	High	Supported
H <sub>05</sub>	0.880	0.774	<0.05	High	Supported
H <sub>06</sub>	0.936	0.876	<0.05	High	Supported
		Substantial			

**Source: Research Data 2020**

The summary table above shows that all the relationships tested in H<sub>01</sub>, H<sub>02</sub>, H<sub>03</sub>, H<sub>04</sub>, H<sub>05</sub> and H<sub>06</sub> were supported and the strength of the relationship are positive and high and their R<sup>2</sup> values (Coefficient of Determination) are equally substantial.

The test of multivariate relationship involves the moderating effect of regulatory interference on the relationship between strategic growth option and corporate resilience. This test was done on H<sub>07</sub> using.

**Test of Multivariate Relationship**

**Table 4.14: Test for Direct Effect of Strategic Growth on Corporate Agility**

Model	Unstandardized Coefficient		Standardized Coefficient	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.188	.035		5.395	.000
Strategic Growth	.949	.012	.982	80.059	.000

**Summary, Conclusion and Recommendation**

This study examined the association between concentric growth strategy and corporate agility in deposit money banks in Port Harcourt and concludes that firms with concentric growth option gain more profound stronghold in their industry and as such the article recommends that firms which are having relative difficulty in building their growth capacity should integrate related opportunities within and around their core business to gain and regain competitive strength.

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