

# THE EFFECT OF STRATEGIC THINKING AND SOCIAL RESPONSIBILITY ON ORGANIZATIONAL PERFORMANCE (CASE STUDY: YAZD GOVERNOR EMPLOYEES)

Reza Saliani<sup>1</sup>, Hossain Eslami<sup>2\*</sup>

<sup>1</sup>Dept.of Management, College of Humanities, Yazd science and Research Branch, Islamic Azad University, Yazd, IRAN

<sup>2</sup>Dept.of Management, Yazd Branch, Islamic Azad University, Yazd, IRAN

## ABSTRACT

The present study is applied in terms of purpose, descriptive survey in terms of data collection method and quantitative in terms of the data obtained by questionnaire. To measure the strategic thinking the questionnaire designed by Moon(2013) was used[1], in order to measure corporate social responsibility the standard questionnaire by perz (2015) was used[2], to assess the organizational performance questionnaire of Hersy and Goldsmith was applied. In this study, the corporate social responsibility and strategic thinking are dependent variables, organizational performance is mediating variable. The research population is the Yazd Governor Employees that according to Cochran formula 286 subjects were selected as samples. Data analysis was performed by SPSS and AMOS. These findings have important role in social responsibility and strategic thinking on organizational performance confirmed. In fact, the findings show that strategic thinking is stronger effect on enhancing organizational performance. The findings of this study can be managers in identifying the strengths and weaknesses of organizational performance based on the strategic thinking and social responsibility.

Published on: 25<sup>th</sup>– Sept-2016

### KEY WORDS

Strategic thinking, social responsibility, organizational performance

\*Corresponding author: Email: [Hossain.eslami@iauyazd.ac.ir](mailto:Hossain.eslami@iauyazd.ac.ir); Tel.:+983538211391; Fax:+983538214810

## INTRODUCTION

Strategies, programs and organizational thinking are among the success factors of the organizations and as these factors are more institutionalized and understood among the staff, the organizations become closer to the financial and non-financial goals [1]. "Strategic thinking" is proposed against the shortages and bottlenecks in the strategic planning for the business environment. Strategic thinking is an approach based on strategic principles and proposes the divergent and creative thinking for a value making strategy. Strategic thinking beyond the methodological and procedural aspects looks as strategy as an art [3].

On the other hand in 2015 during studies conducted in America. The results showed that 49% of respondents have changed their buying because of environmental issues. Study on 16 thousand Australian Bureau of Statistics also show that 75% of people are concerned about environmental issues

The above statistics indicate that environmental issues and protection of the environment is one of the main criteria that customers consider when they receive them As a result, this has caused environmental issues into management concepts and approach to social responsibility is more than ever [4]. Statistics show that customer sensitivity to social responsibility organization.

This essay will focus on two features of social responsibility and strategic thinking on organizational performance

## THEORETICAL BACKGROUND

### Strategic thinking

Strategic thinking includes finding and developing a strategic foresight capacity for an organization, by exploring all possible organizational futures, and challenging conventional thinking to foster decision making today. Recent strategic thought points ever more clearly towards the conclusion that the critical strategic

question is not the conventional “What?”, but “Why?” or “How?”. The work of Henry Mintzberg and other authors, further support the conclusion; and also draw a clear distinction between strategic thinking and strategic planning, another important strategic management thought process [5].

General Andre Beaufre wrote in 1963 that strategic thinking "is a mental process, at once abstract and rational, which must be capable of synthesizing both psychological and material data. The strategist must have a great capacity for both analysis and synthesis; analysis is necessary to assemble the data on which he makes his diagnosis, synthesis in order to produce from these data the diagnosis itself--and the diagnosis in fact amounts to a choice between alternative courses of action." There is no generally accepted definition for strategic thinking, no common agreement as to its role or importance, and no standardized list of key competencies of strategic thinkers. There is also no consensus on whether strategic thinking is an uncommon ideal or a common and observable property of strategy. Most agree that traditional models of strategy making, which are primarily based on strategic planning, are not working [6].

Liedtka observed five “major attributes of strategic thinking in practice” that resemble competencies:

Systems perspective, refers to being able to understand implications of strategic actions. "A strategic thinker has a mental model of the complete end-to-end system of value creation, his or her role within it, and an understanding of the competencies it contains."

Thinking in time means being able to hold past, present and future in mind at the same time to create better decision making and speed implementation. "Strategy is not driven by future intent alone. It is the gap between today's reality and intent for the future that is critical." Scenario planning is a practical application for incorporating "thinking in time" into strategy making.

Intelligent opportunism, which means being responsive to good opportunities. "The dilemma involved in using a well-articulated strategy to channel organisational efforts effectively and efficiently must always be balanced against the risks of losing sight of alternative strategies better suited to a changing environment [7].

### Corporate social responsibility (CSR)

Corporate social responsibility (CSR) practices are becoming increasingly common across countries and industries [8]. Maintenance of corporate social responsibility is becoming increasingly dependent on compliance. According to research by 2002, over 70% pwc Institute Director corporate world believe that respect for social responsibility has an important role in the profitability of their companies. The success of social responsibility depends on the attitude of the new generation.

Europe Commission defines corporate social responsibility as a concept whereby companies' social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis are observed. This concept is about organizations who decide to cross the minimum legal requirements and risks of the collective agreement to consider social needs. Font (2012) defined CSR as the sum of the obligations that a business is expected to fulfill, and developed a four-dimensional CSR model based on the idea that “the social responsibility of business encompasses the economic, legal, ethical and philanthropic expectations that society has of organizations at a given point in time [9].

Carroll (1991) also observed that, to fulfill economic responsibilities, a firm needs to maximize earnings per share, be as profitable as possible and maintain a strong competitive position and a high level of operating efficiency. Legal responsibilities are fulfilled by obeying the law, complying with various federal, state and local regulations and being a law-abiding corporate citizen. Ethical responsibilities refer to expectations that a company will abide by societal mores and ethical norms, including recognizing and respecting new or evolving ethical/moral norms adopted by society, and will not pursue corporate goals at the expense of ethical norms. To fulfill its philanthropic responsibilities a firm must meet the philanthropic and charitable expectations of society by sponsoring the fine and performing arts, encouraging managers and employees to participate in voluntary and charitable activities in their local communities, providing assistance to private and public educational institutions and supporting projects that enhance a community's quality of life [10].

### Organizational performance

Paul Hersey and Marshall Goldsmith developed the achieve method for leaders to use as a performance management tool to help determine specific performance problems and understand why these problems exist. According to Hersey and Goldsmith, the use of a situational approach is an effective way to address performance management.

The achieve uses seven variables: ability; clarity; help; incentive; evaluation; validity; and environment, to provide leaders and followers with the necessary tools to improve performance. By using these seven aides, management can identify performance problems and determine why these problems exist.

The letter “A” represents ability and constitutes the skills, experience, etc., possessed by an employee. Managers identify skills possessed by employees and set goals and tasks based on ability information.

“C” represents clarity and is the ability of an employee to clearly understand requested tasks and possess knowledge of what must be done in order to accomplish them. Problems with clarity in a situation may result in goals that are never accomplished. It is extremely important that managers clearly state goals and objectives up front to employees.

The “H” in the third variable, help, refers to support by the organization necessary for employees to complete goals and objectives. Support encompasses anything from monetary resources to equipment resources. It is the responsibility of management to aide the employee in obtaining necessary resources.

“I” stands for incentive. This refers to the motivation of the employee to achieve a task or goal. Managers must remember that employees are motivated in very different ways and address motivational needs based on the individual situation.

“E” refers to evaluation and relates to the incentive variable discussed previously. Employees must receive periodic on-going feedback regarding their performance. Without feedback, employees “wonder” what is going on and can become unmotivated. Management should document positive as well as negative feedback.

“V” stands for validity. The validity of a situation includes the legalities of decisions by managers. Managers must consider laws and company policies when making human resources decisions. Managers should document any issues based on performance. It is the responsibility of management and human resources to ensure their decisions are valid.

The final letter “E” stands for the environment variable. Environment refers to all external factors that may affect performance. Some of these include suppliers, market changes, etc., Employees can only perform as their environments allow[11].

### **Research hypothesis**

**H1:** Strategic thinking positively influences organizational performance

**H2:** Corporate responsibility positively influences organizational performance

### **METHOD**

The survey of this study was conducted on employees of a Governor of Yazd. Data related to the ethical climate, corporate reputation and organizational identification were obtained directly from the employees of the firm through the questionnaires, which means primary source data were used in the research. The firm has 228 employees throughout the country. All these employees were contacted via email with the help of the human resources department asked to participate in the survey. A total of 214 questionnaires were returned, so the return rate of the research was %94. However, 48 of them were not usable, so 166 questionnaires were used in analysis (n=166). Data obtained from questionnaires was analyzed through the Amos statistical packet software (v.18) and proposed relations were tested.

In this research data are collected by field method. In field method, questionnaire is one of the most usual methods for collecting data. For collecting data and receiving to goals, this research used nameless questionnaire including 45 questions that filled by consumers. At the beginning of questionnaire there were questions for recognition of personal features of statistical community. Questionnaire questions are regulated based on sequential scale and Likert's five degree scale including 5 scales very low, low, average, much and very much and designed as classified and based on trice hypothesis topics. Since in this research we used standard questionnaires The corporate social responsibility developed by Perz (2015) [2], The strategic thinking Questionnaire [1] with three items for each theoretical dimension of strategic thinking, and The Organizational performance Scale developed by Paul Hersey and Marshall Goldsmith (1998) with were used.

In this research for evaluation of reliability coefficient of questionnaire, we used internal adaptive method and by using Cronbach's alpha coefficient. By primary distribution of 30 questionnaires, reliability coefficient for questionnaire was **0.897** which shows very good reliability.

## FINDINGS OF THE ANALYSIS OF RESEARCH CONCEPTUAL MODEL

Confirming measurement models of research variables, the conceptual model of research investigated by structural equation modeling. The reason for using this method is that this model has the capability instead of examine two to two and separate variables, the relations among all variables survey concurrently. SME approach is a comprehensive method for testing the hypothesis about the relations among observed variables. Since the conceptual model of research considers the survey of causative relations, for providing concurrent analysis possibility of variables relations, we used structural equation method which it is used in model analysis of AMOS software that is one of the most famous software's for performing structural equations.

The results of SEM analysis, the overall model were CMIN

$X^2=68.121$ ,  $DF= 50$   $p=0.0$  the fit indices were all in acceptable ranges with

CFI= 0.980, TLI=0.974 and RMSEA=0.047. Models with cut-off values above 0.90 for CFI, and below 0.08 for RMSEA are considered to have a good fit between the hypothesized model and the observed data.

### Structural model results

[Figure- 1] displayed all of the structural relationships among the studied constructs; path coefficients and their significance, for each dependent construct are also presented in this figure. As indicated in [Figure- 1] all hypotheses, were supported by the data. The hypothesized relationships (H1 to H2) were found to be significant in the proposed directions.

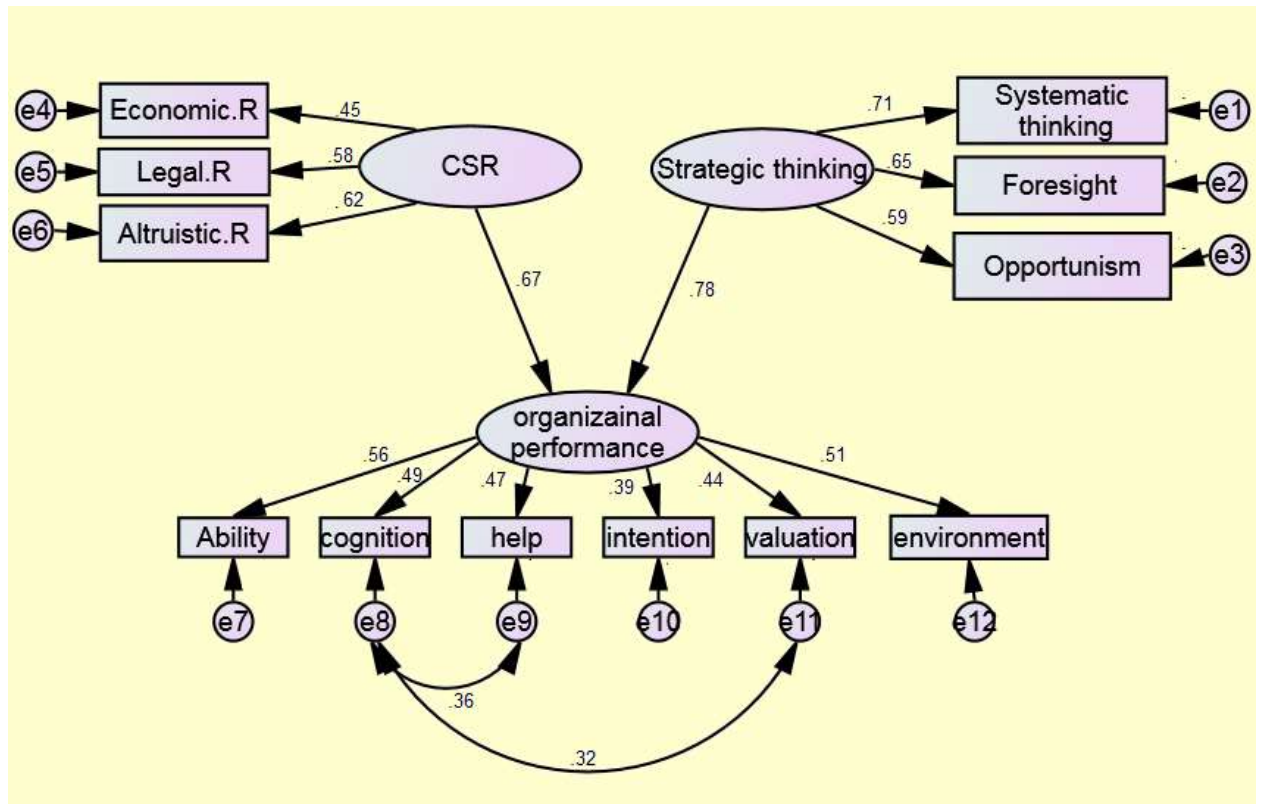


Fig:1. Structural relationships among the studied constructs

## DISCUSSION AND CONCLUSION

Dynamic capabilities are a relatively new topic in strategic research and hence it requires a lot of analysis especially in the case of empirical studies. This paper is a response to the need for research in this field of knowledge and the results of this study can help companies to improve their current management style to create superior customer value. In general based on the obtained results the organizational commitment to social responsibility predicts many management variables in organizations including the organizational performance.

Based on previous studies of social responsibility it can be predicted that the employees react to the presence or absence of a commitment to responsibility. One of these reactions is the decreasing throughput of organizational performance.

This means that if employees see that there is no social responsibility in the organization, they develop a type of negative tension and thus in order to reduce this tension they attempt to reduce their inputs and contributions in developing the organizational performance. Conversely, if the employees feel that the organization is committed to social responsibility they are motivated to increase their contributions to improve performance by input helping behaviors.

The results of this study are consistent with Fairholm, [12] and Iqbal et al [10].

Strategic thinking defines 78 percent of relationship variance and this indicates that the development of strategic thinking in governorship promotes the performance indicators. In fact, strategic thinking with components such as systematic thinking, prospective, clever opportunism and providing solutions for strategic problems provides the area to save the organizations in crises and also provides the performance and service delivery enhancements.

Strategic thinking is an important skill for managers in the competitive and transformational environment. The experts believe that the speed of changing the environment is so high that it is not possible to solely rely on strategic planning and instead the people in an organization should enjoy thinking skills to present the proper reaction to the environmental changes. These skills are not only useful for the business environment but also for their personal lives. His basic question is: "Which strategy is more appropriate to achieve the goal?" The strategic thinker instead of accelerating and understanding the current processes is looking for new methods and different solutions. Such solutions make the impossibilities of common intellectual system possible in new intellectual system and this leads to the organizational effectiveness [13].

#### CONFLICT OF INTEREST

Authors declare no conflict of interest.

#### ACKNOWLEDGEMENT

The authors gratefully acknowledge the technical support given by Dr. Hossain. Eslami, Department of Management, Yazd Branch, Islamic Azad University, Yazd, Iran.

#### FINANCIAL DISCLOSURE

No financial support was received to carry out this project.

#### REFERENCES

- [1] Moon, Byeong-Joon. [2013] Antecedents and outcomes of strategic thinking. *Journal of Business Research* 66:1698–1708
- [2] Pérez A and Rodríguez del Bosque I. [2015] Corporate social responsibility and customer loyalty: exploring the role of identification, satisfaction and type of company, *Journal of Business Ethics*, 108(2): 145-166.
- [3] Kim BJ. [2004] An empirical research on relations between business strategy and Leadership, 26(4):30–35.
- [4] Valentine, S., and Fleischman G. [2015] Professional Ethical Standards, Corporate Social Responsibility and The Perceived Role of Ethics and Social Responsibility, *Journal of Business Ethics*, 82, 657-666.
- [5] Mintzberg H. [1987] Crafting Strategy”, Harvard Business Review, 65(4): 66-75.
- [6] Beaufre Andre [1965] *An Introduction to Strategy*. Frederick A. rager. [LCCN 65014177](#)
- [7] Liedtka JM. [1998a] Linking strategic thinking with strategic planning. *Strategy & marketing strategy: Based on miles and snow's strategic typology and Porter's*
- [8] Tamm, K., Eamits, R. and Motsmees, P. [2010] Relationship between CSR and job satisfaction”, university of Tartue, available at: <http://www.mtk.ut.ee/research/workingpapers>.
- [9] Font, X, Walmsley A, Cogotti S, McCombes L, Häusle, N. [2012] Corporate social responsibility: The disclosure-performance gap. *Tourism Management*, 00: 1800-1880.
- [10] Iqbal N, Ahmad N, Sheeraz M. [2012] The Impact of perceived Corporate Social Responsibility (CSR) on Job Attitude and Performance of Internal Stake-holders”, *International Journal of Human Resource Studies*, 2(4):86-77.
- [11] Blanchard, Paul H, K, Johnson D. New Jersey: Prentice-Hall. (2001). *Management of organizational behavior: Leading human resources. Chaos to embracing it. Journal of Management and Organization*, 15(1):17–30.
- [12] Fairholm M, Card M. [2009] Perspectives of strategic thinking: From controlling
- [13] Great F. [2011] Strategic thinking”. *Management decision*, 40(35)