Impact of Strategic Thinking and Strategic Agility on Strategic Performance: A Case Study of Jordanian Insurance Industry Companies

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Abstract
For companies to succeed in this competitive market, they need to be able to meet customer demand, as well as adjust to internal and external changes. With limited resources, and increasing operational costs, companies are looking internally to improve performance, meet demands, and compete in the market. This paper explores the relationship among three variables: strategic planning, strategic agility, and strategic performance of insurance companies in Jordan. The study explores the strength of relationships when introducing one variable as a mediator for the other two and builds a model for the best relationship among the variables, offering maximum benefits for the company. The paper aims to answer the following two questions: What impact does strategic thinking and strategic agility have on strategic performance?, and What shape does this impact take?

Key Words: Strategic Agility, Strategic Thinking, Strategic Performance, Quality Management.

Introduction
The need for strategic thinking is evident when the average life expectancy of a U.S. Fortune 500 company is only 40 to 50 years (de Geus, 1997). Strategic thinking can be driven by having a genuine vision (Bonn, 2001). In their research, Collins and Porras (1998) noted an invested dollar in the market in 1926 would have grown to $415 by 1990, whereas an invested dollar in a visionary company stock fund would have grown to $6,356, a difference of over 1,500%. Moreover, researchers linked strategic thinking with other variables such as strategic planning either implicitly (Thompson & Strickland, 1999; Viljoen, 1994) or explicitly (Porter, 1987). In an unpredictable, volatile, and competitive market, companies must create and sustain a competitive advantage by implementing strategic thinking at multiple organizational levels (Liedtka, 1998, p. 32).

Strategic Thinking
Starting in the 1920s, firms started focusing on long-range planning rather than manufacturing and financial functions. Strategic thinking began to thrive in the 1960s and picked up momentum by 1990 when they developed most vital tools (Allio, 2006). Researchers began considering strategic thinking as early as 1950.
In 1957, Alfred D. Chandler, Philip Selznick, Igor Ansoff, and Peter Drucker introduced the concept of linking an organization’s internal factors to external environmental variables, now called strengths, weaknesses, opportunities, and threats (SWOT) analysis (Batra, Kaushik, & Kalia, 2012). Over time, stakeholders added long-range perspectives to produce development processes. By the early 1970s, almost all firms had some form of overall long-range planning. Strategic thinking started taking hold in the early 20th century, mostly due to the ability of managers to better understand market behavior, competitors, and industries using new analytical tools such as market segmentation, the project-lifecycle concept, and SWOT analysis (Allio, 2006).

Researchers differed in defining strategic thinking. Bonn (2001) used the terms strategic thinking, strategic planning, and strategic management interchangeably in research whereas Wilson (1994, p. 14) used the term strategic management in place of strategic thinking. Heracleous defined strategic thinking as “distinct, but interrelated and complementary thought processes” (1998, p. 482). Liedtka (1998) described strategic thinking as a process that consists of five parts: it is a system; it embodies a focus on intent, involves thinking in time, is hypothesis driven, and invokes the capacity to be intelligently opportunistic.

Tan (2000) defined strategic thinking as a process in which top management creates a path for what the organization wants to become. Kaufman (1991) defined strategic thinking from a holistic viewpoint, stating that strategic thinking is characterized as the switch from viewing the organization as splintered parts to viewing it as a set of integrated parts where each part has a relationship to the whole (p. 69). Garratt (1995) defined strategic thinking as a process that enables senior executives to rise above managerial processes and crises. de Bono defined strategy thinking is the ability to question concepts and perceptions as well as connect issues that might seem unconnected (Robinson & Stern, 1997).

Strategic Agility

Previously, companies used to create a long-term defensible position or gain a competitive advantage; now, strategies need to be agile, able to adapt to different situations to maintain competition (Eisenhardt & Brown, 1998, p. 787). Financial-services firms are showing increasing interest in the “agility revolution” (Beidleman & Ray, 1998). Looking at some banks’ annual reports, Centural Bank’s 1997 report noted that to achieve their vision, they needed to foster organizational and individual agility (Menor, Roth, & Mason, 2001). Due to the information-intensive market, banks are forced to adapt to strategic agility largely because they face constant change. One key question banks must address is how to capitalize on fast change; one way to do so is to become more agile (Nayyar & Bantel 1994; Zaheer & Zaheer 1997).

Strategic Performance

Strategic-performance management has a significant effect on business results (Bento & Ferreira White, 2010). Attention toward the importance of strategic-performance management systems can be tracked to the mid-1980s (Gimbert, Bisbe, & Mendoza, 2010). Strategic performance measurements enable companies to compete for industrial subsidies, thereby lowering their cost capital, enabling them to compete in the market (Tzelepis & Skuras, 2006). Performance management is an evolving process that might begin as a fixed, step-by-step process based on fixed assumptions; then it evolves due to unsustainable variables (Johnson, 1987, p. 17). Strategic-performance management is not about establishing a top-down, backward-looking form of appraising people (Ana-Maria, Constantin, & Radu, 2009). Rather, a strategic-performance measurement system translates business strategies into deliverable results (Gates, 1999).

The Relationship among Strategic Thinking, Strategic Agility, and Strategic Performance

The literatures on agility and strategic thinking and their relationship with performance offer limited guidance. Although researchers studied the relationship of each variable on performance separately, not
many explored the relationship between the three variables and their effect on each other. For example, strategic thinking and its dimensions can affect performance (Mahdavian, Mirabi, & Haghshenas, 2014). Furthermore, a shift in thinking is needed in human resources for businesses to improve their performance (Farley, 2005).

Agility promotes organizational performance (McCann, Selsky, & Lee, 2009). In linking variables, companies might trade agility in one component for another based on strategic thinking (Menor et al., 2001). However, to sustain effective strategic management, strategic thinking, and strategic planning, companies need to consider them to be interrelated and complementary thought processes (Heracleous, 1998, p. 482).

In a competitive market, multiple capabilities might be required (D’Aveni, 1994, p. 327). Companies need to be ready to handle changing variables in the market. Such readiness is considered a strategic asset (Yusuf, Yusuf & Gunasekaran, 1999). This paper explores the relationship between the three variables-strategic thinking, strategic agility and strategic performance-and the shape of this relationship. The paper builds a model showing the most effective way to use these variables to gain the most advantage, and therefore gain competitive advantage in the market.

**Research Methodology**

**Research Problem**

Interviews, conducted by researchers with directors and experts in Jordanian insurance-industry companies showed that their companies suffer from internal competition as a result of the large number of companies (26) in the country, as well as foreign competition. Competition resulted in reduced opportunities and increased threats, forcing decision makers to search for ways to reduce the spread of threats and continue to compete in the market.

**Case Study**

To address the issue of increased competition, several insurance-industry managers met. Industry leaders introduced members to some contemporary techniques and methodologies that could contribute to upgrading the performance of their organizations. Methodologies included the role of strategic thinking and strategic agility and their role in providing organizations with the proper tools to maintain competition in the market. During the meeting, managers asked two questions that this study aims to answer:

1. What potential impact do strategic thinking and strategic agility have on performance? Does this impact possible with the variables exist together or separately?
2. What shape does the impact of these two variables (strategic agility and strategic agility) take?

**Study Objectives**

The following were the objectives of this study:

1. Explore the impact of strategic thinking and strategic agility on Jordanian insurance companies.
2. Explore the relationships that might exist between strategic thinking and strategic agility.
3. Determine which has greater impact on company efficiency, strategic agility or strategic thinking.
Study Model

Figure 1 demonstrates the research model based on interviews held with managers.

Research Hypotheses

To ascertain the validity of the model, we present three views. In each view, we tested the variables and the relationship between variables.

View 1. Measuring the direct effect from autonomous unilateral tracks.

Ha:1: Strategic thinking significantly and directly impacts strategic performance.
Ha:2: Strategic agility significantly and directly impacts strategic performance.
View 2. Measuring the direct impact of the relationship between variables.

Ha:3: There is significant relationship between strategic thinking and strategic agility.
Ha:4: The relationship between strategic thinking and strategic agility significant impact strategic performance.

Figure 3. Direct impact of relationships among strategic agility, strategic performance, and strategic thinking

View 3. Measuring the impact resulting from the sequential variable moderator (strategic agility).

Ha:5: Strategic thinking significantly impacts strategic performance with strategic agility as a mediator variable.

Figure 4. Impact resulting from the sequential variable moderator (strategic agility).

View 4. Impact result from a sequential variable Mediator (strategic thinking).

Ha:6: Strategic agility significantly impacts strategic performance with strategic thinking as a mediator variable.

Figure 5. Impact result from a sequential variable moderator (strategic thinking).
The Study

Study Sample and Population

We applied the study parameters to 25 insurance companies in Jordan. The companies provide 15 types of insurance services, shown in Table 1.

<table>
<thead>
<tr>
<th>Types of Insurance Services Offered by Insurance Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car Insurance</td>
</tr>
<tr>
<td>Insurance against fire and other damage to property</td>
</tr>
<tr>
<td>Liability insurance</td>
</tr>
<tr>
<td>Insurance assistance</td>
</tr>
<tr>
<td>Investment insurance</td>
</tr>
<tr>
<td>Collective pension funds management</td>
</tr>
<tr>
<td>Accident insurance, additional insurance</td>
</tr>
<tr>
<td>Secure marriage and childbirth Insurance</td>
</tr>
<tr>
<td>Marine and transport insurance</td>
</tr>
<tr>
<td>Flight insurance</td>
</tr>
<tr>
<td>Credit insurance</td>
</tr>
<tr>
<td>Medical insurance</td>
</tr>
<tr>
<td>Life insurance</td>
</tr>
<tr>
<td>Retirement insurance</td>
</tr>
<tr>
<td>Health insurance</td>
</tr>
</tbody>
</table>

From the number of insurance companies and the number of activities, we deduce there is strong competition in the Jordanian market between companies, forcing these companies to adopt more effective methodologies and techniques to accomplish objectives and achieve higher performance, thereby achieving a competitive advantage that ensures they maintain market share and have the potential to increase market share in the future.

The sample population included 182 individuals working in the 25 insurance companies. We surveyed those in managerial positions (CEO, deputy CEO, senior director, and director). These occupational groups represent senior management in the insurance industry who make the strategic decisions that help the company compete in the market. In view of the concern of these functional categories and the limited time available to answer the paragraphs of resolution, we drew a random sample of 60 individuals from the community; the sample represents 33% of the population. Table 2 shows the distribution of the sampled individuals based on their managerial positions.

<table>
<thead>
<tr>
<th>Sample Distribution Based on Managerial Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position</td>
</tr>
<tr>
<td>CEO</td>
</tr>
<tr>
<td>Deputy CEO</td>
</tr>
<tr>
<td>Senior director</td>
</tr>
<tr>
<td>Director</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Data-Collection Methods

To achieve the objectives of the study and test the validity of the assumptions, we adopted the following instruments in the collection of data and information:

1. Secondary Data
   a. Specialized literature on strategic thinking and strategic agility and strategic performance.
   b. Empirical field studies
   c. Reports and newsletters discussing insurance companies

2. Primary Data: We created a questionnaire to gather information, prepared and developed in light of the review of the literature and specialized studies, shown in Table 3.
Table 3. Description Identifying the Main Topics of Study and Variables and the Number of Paragraphs and Sources Used in Preparing

<table>
<thead>
<tr>
<th>Sequence</th>
<th>Key topics</th>
<th>Sub variants</th>
<th>Paragraph number</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>strategic thinking</td>
<td>Nature of the problems</td>
<td>2</td>
<td>Bonn, 2005</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Proposed solutions to problems</td>
<td>2</td>
<td>Jelenc &amp; Swiercz, 2011</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Information overload</td>
<td>2</td>
<td>Abraham, 2005</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Intuition</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Risk taking</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Focus formation</td>
<td>2</td>
<td>(Tallon, 2007)</td>
</tr>
<tr>
<td>2</td>
<td>strategic agility</td>
<td>Speed</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Quality</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Company flexibility</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Leaders’ flexibility</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Satisfaction</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>strategic performance</td>
<td>Growth</td>
<td>2</td>
<td>Burney &amp; Widener, 2007</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Learning</td>
<td>2</td>
<td>Grigoroudis,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Efficiency of internal processes</td>
<td>2</td>
<td>Orfanoudaki,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Innovation</td>
<td>2</td>
<td>Zopounidis, 2012</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Srivastava &amp; Sushil, 2013</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>15</td>
<td>30</td>
</tr>
</tbody>
</table>

Questionnaire Validity

Convergent validity (average variance extracted [AVE]) test results are shown in Table 4. All AVE values were more than 0.5, which confirms the credibility of the main themes of the study (Fornell & Larcker, 1981). Shown in Table 5, reliability (internal consistency test), measured by Cronbach’s alpha, is larger than 0.7 for all three elements (strategic agility, strategic performance, and strategic thinking), indicating the test is reliable.

Table 4. Convergent Validity (AVE) Results

<table>
<thead>
<tr>
<th>Key topics</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>strategic thinking</td>
<td>.652462</td>
</tr>
<tr>
<td>strategic agility</td>
<td>.601330</td>
</tr>
<tr>
<td>strategic performance</td>
<td>.672427</td>
</tr>
</tbody>
</table>

*Note. AVE = average variance extracted.*

Table 5. Results of Cronbach’s Alpha Test

<table>
<thead>
<tr>
<th>Key topics</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>strategic thinking</td>
<td>.834403</td>
</tr>
<tr>
<td>strategic agility</td>
<td>.796201</td>
</tr>
<tr>
<td>strategic performance</td>
<td>.804203</td>
</tr>
</tbody>
</table>

Analysis Results

We analyzed potential relationships through images to test study hypotheses and diagnosis of the best path.

**View 1. Ha:1 & Ha:2 results.** Table 6 shows the following results:
Ha: 1 is accepted because the value of the path (.348) is greater than (.015; Chin, 1998; Falk & Miller, 1992), confirming that strategic thinking has a direct impact on strategic performance. Furthermore, the critical ratio (18.24) and $R^2$ value (0.559996) indicate that strategic thinking influences the development and enhancement of strategic performance by 0.559996% leaving the variables outside the scope of this research to effect strategic performance by 0.440004%.

Similarly, Ha: 2 is accepted because the value of the path (.240) is greater than (.015), confirming that strategic agility has a direct moral impact on strategic performance. Furthermore, the critical ratio (9.34) and the $R^2$ value (.249756) indicate that strategic agility influences the development and enhancement of strategic performance by 0.249756%, leaving other variables outside the scope of this research to effect strategic performance by 0.750244%.

Table 6: Results from Testing Hypothesis Ha: 1 & Ha: 2

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Exogenous variables</th>
<th>Endogenous variable</th>
<th>Path coefficient</th>
<th>Critical ratio Abs(O/STERR)</th>
<th>$R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ha:1</td>
<td>Strategic thinking</td>
<td>Strategic performance</td>
<td>0.348</td>
<td>18.24</td>
<td>0.559996</td>
</tr>
<tr>
<td>Ha:2</td>
<td>Strategic agility</td>
<td>Strategic performance</td>
<td>0.240</td>
<td>9.35</td>
<td>0.249756</td>
</tr>
</tbody>
</table>

Note. The Bootstrap Critical Ratios $T$-Statistics (Abs(O/STERR) > 1.96)
Abs: Absolute Value, O: Original Sample, STERR: Standard Error.

**View 2. Ha:3 & Ha:4 results.** As shown in Tables 7 and 8 we found the following:

- All values of the coefficients of correlation were high and moral functions, because these values are greater than (0.3; Field, 2005; Tabachnick & Fidell, 2001). This indicates that the main study variables are interrelated meaning that an increase in one of the variables will result in an increase in the others. The relationship between strategic thinking and strategic agility was highest, followed by strategic thinking and strategic performance, then strategic agility and strategic performance. The results indicate that we accept Ha:3.

- As can be seen in Table 8, the value of the relationship between strategic thinking and strategic agility and its effect on strategic planning was .218, which is larger than .015. Furthermore, the critical ratio value was 7.8 and $R^2$ value was .401112, which indicates that the relationship between strategic thinking and strategic agility affects strategic performance by 41.112%.

Table 7: Results of Hypothesis Testing (Ha:3): Link Relations Between Key Study Variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Strategic thinking</th>
<th>Strategic agility</th>
<th>Strategic performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic thinking</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic agility</td>
<td>0.748328</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Strategic performance</td>
<td>0.727011</td>
<td>0.599776</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 8: Results of Hypothesis Testing (Ha: 4): Link Relations between Key Study Variables

<table>
<thead>
<tr>
<th>Exogenous variables</th>
<th>Endogenous variable</th>
<th>Path coefficient</th>
<th>Critical ratio Abs(O/STE RR)</th>
<th>$R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic thinking</td>
<td>Strategic performance</td>
<td>.218</td>
<td>7.08</td>
<td>.401112</td>
</tr>
</tbody>
</table>

Note. The Bootstrap Critical Ratios $T$-Statistics (Abs(O/STERR) > 1.96)
Abs: Absolute Value, O: Original Sample, STERR: Standard Error.
View 3: Impact resulting from an intermediary variable.

From the results obtained, shown in Table 9, it can be seen that the value of the impact from introducing the intermediary variable (strategic agility) is .745, which is larger than .015. Strategic thinking improves strategic performance through strategic agility by 63.8%.

Table 9. Results of Measuring Impact of Mediating Variable

<table>
<thead>
<tr>
<th>Exogenous variables</th>
<th>Mediator variables</th>
<th>Endogenous variable</th>
<th>Hypothesis</th>
<th>Path coefficient</th>
<th>Critical ratio</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic thinking</td>
<td>Strategic agility</td>
<td>Strategic performance</td>
<td>5</td>
<td>0.745</td>
<td>21.74</td>
<td>0.63817</td>
</tr>
<tr>
<td>Strategic agility</td>
<td>Strategic thinking</td>
<td>Strategic performance</td>
<td>6</td>
<td>0.307</td>
<td>16.21</td>
<td>0.43816</td>
</tr>
</tbody>
</table>

Note. The Bootstrap Critical Ratios T-Statistics (Abs(O/STERR) > 1.96)

Abs : Absolute Value , O : Original Sample , STERR : Standard Error.

View 4. Impact resulting from an intermediary variable.

Table 9 also shows the results of the effect of strategic agility on strategic performance with strategic thinking as the intermediary variable. With a coefficient value of .306, larger than .015, agility does improve strategic performance through strategic agility as an intermediary variable by 43.8%.

Figure 6 demonstrates the variables and the relationships that govern them. The best effect on strategic performance is obtained by having strategic thinking as an independent variable with strategic agility as an intermediary variable and performance as a dependent variable.

Figure 6. Best path to improve strategic performance.
Discussion

The results presented show that study hypotheses are accepted and that strategic agility and strategic thinking as independent variables (jointly or sequentially) affect strategic performance as a dependent variable. The effect of the independent variables varies: the weakest relationship was between the two independent variables (strategic thinking and strategic agility) and their effect on strategic performance, explained by merging intellectual methodology (strategic thinking) with the application methodology (strategic agility). The strongest relationship was in the sequential relationship:

Strategic Thinking → Strategic Agility → Strategic Performance

The strong relationship indicates that to take full advantage of strategic performance, and to benefit from the intellectual methodology (strategic thinking), companies must first take advantage of systematic advantage in looking ahead and understanding employees’ roles and develop logical procedural steps that can be applied in real life. This process will achieve strategic performance.

Conclusion and Recommendations

1. Strategic thinking is an intellectual methodology based on foresight, intuition, and monetary techniques in developing practices and promotes strategic agility and strategic performance.
2. Strategy agility is an applied methodology that yields strategic performance.
3. Developing and strengthening strategic performance in insurance companies depends on long-term application of the following relationships: strategic thinking (independent variable) → strategic agility (intermediary variable) → strategic performance (dependent variable). This is the strongest path that ensures maximum strategic performance for companies.
4. Jordanian insurance companies can benefit from all tracks tested in this study, giving them different options to ensure strategic performance based on their strategic goals.

Based on the research results, we recommend the following:

1. Stimulate the practice of strategic thinking in companies by:
   a. Constructing specialized training programs on topics and themes of strategic thinking as the basis for actual training needs.
   b. Setting up training workshops to discuss real cases and real-life experiences of companies inside and outside Jordan.
   c. Encouraging strategic thinking by empowering employees and encouraging collaborative work.
2. Develop programs to attract human resources personnel with characteristics and abilities that support strategic thinking. This can be done by doing the following:
   a. Prepare a list of the properties and capabilities of strategic thinkers that serve the strategic orientation of the insurance industry.
   b. Develop mechanisms for how to find and attract strategic thinkers from the labor market.
   c. Ensure proper employee selection (when hiring) and proper work-load distribution among workers.
3. Sustain the momentum of insurance companies by supporting strategic agility:
   a. Develop effective strategies that focus on the needs of the society and the nature of the risks that must be covered by the services.
   b. Increase interest in the culture of quality and make it a critical priority for the company.
4. Increase organizational learning and employee training in customer support and providing customer services by
   a. Analyzing other companies’ experiences and learning from their actions.
   b. Running simulations for alternatives and options to provide various insurance services to customers.
   c. Encouraging knowledge sharing and experience transfer between companies to expand on knowledge of customers’ experiences.
5. Activate and encourage strategic performance themes by the following:
a. Continue attention on customer satisfaction through constant surveillance and rapid response to complaints.

b. Expand insurance services to be inclusive of all groups in society according to their financial needs and resources.

c. Ensure the efficiency of internal processes by investing in effective resource management.

d. Allocate a budget for research and development to increase the creation of new products and services to meet market fluctuations and crises.

References


