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The Joint Effect of Competitive Strategies, Business Environment and Corporate Image on Performance of Large Manufacturing Firms in Kenya

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Abstract
The main objective of the study was to determine the joint effect of competitive strategies, business environment and corporate image on the performance of large manufacturing firms in Kenya. This study was guided by positivist philosophy and adopted a descriptive cross-sectional survey on the population of 139 large Manufacturing firms. By using a questionnaire data was collected. 75 questionnaires were returned, and only 72 could be used. Percentages, mean scores and standard deviations were some of the descriptive statistics used to describe the findings. Correlation and regression analysis were used to test the hypothesis. The results of the joint effect of competitive strategies, business environment and corporate image on the performance of large manufacturing firms in Kenya were statistically significant. The regression coefficient statically revealed that competitive strategies, business environment, and corporate image influenced the performance of large manufacturing firms in Kenya. The combined influence of the three variables (competitive strategies, business environment, and corporate image) was greater that the predictor influence of variables on the performance of large manufacturing firms in Kenya. The study concluded that the large firms stand a better position of achieving good performance if they pay attention to all predictors than when they focus on all variables.

Introduction

Competition is the order of today business environment. Firms in developing countries are exposed to intense competition due to globalization. Firms irrespective of their size have to deal with the declining market share, and therefore competitive strategies are critical to all firms. All firm managers endeavor for better performance than yesterday, which is very challenging due to the dynamic environment. This intensity in competition has driven firms to remain relevant by continuously adapting and renewing and recreating organizational capabilities due to competition. This dynamism in the environment entails firms to constantly monitor the environment they operate in with a view to crafting competitive strategies to make them unique from competitors in the eyes of their customers and various publics. Various stakeholders perceive the organization using different perspectives. It's the work of the firm managers to continuously understand the various stakeholders perceptive because each is concerned primarily with a different facet of its operations. Maintaining a positive corporate image is vital for a sustainable competitive advantage and eventually firm performance. Just as firms compete for customers so, do they compete for a good reputation.

In Kenya, large manufacturing firms occupy a very important place due to their contribution to the economy in terms of the number of people they employ and contribution to the GDP. The implementation of competitive strategies by respective firm managers ensures that firms achieve a competitive advantage and finally achieving organizational performance. Various authors have defined competitive strategies: Johnson and Scholes (2005) to the scope and direction of an organization for a long period. Thompson & Strickland (2005) refers competitive strategies as approaches and moves a firm has to attract new customers and withstand competition so that a firm can gain a competitive advantage. According to Porter (2008) strategy is building defenses against competition where forces are weak. From this definition, strategies aim at differentiating firm from competitors in various forms in order to have a sustainable competitive advantage in the long run.

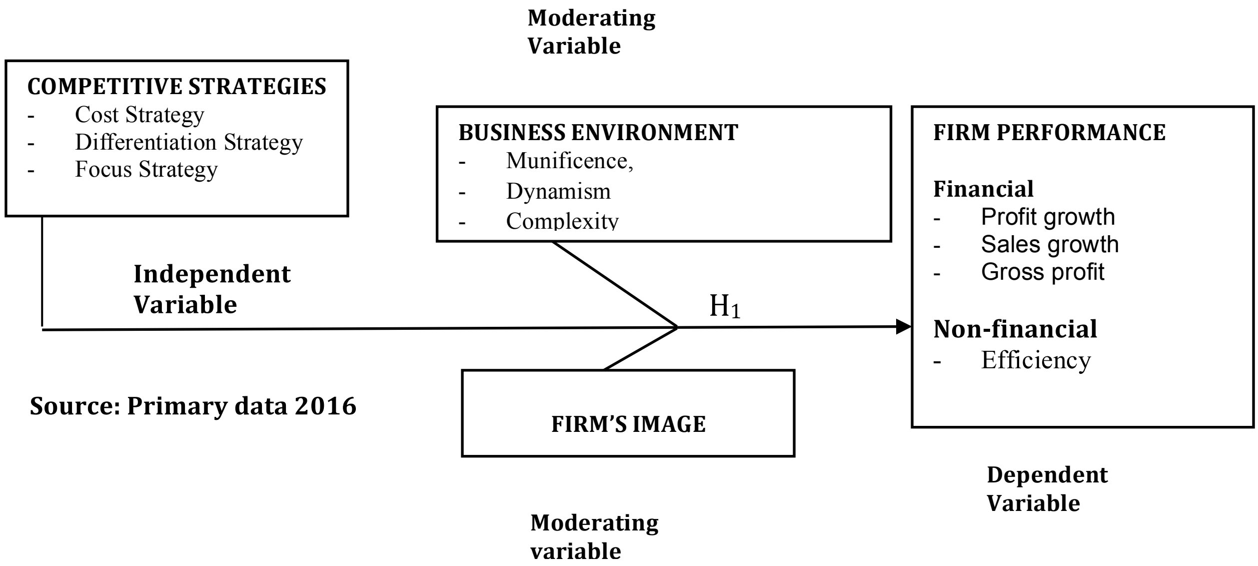
Literature review

Competitive Strategies, Business Environment, Corporate Image and Organizational Performance

Competitive strategies entail the firm's responses toward the external environment which include competitors and customers (Hitt, Ireland & Hoskisson, 2015). Different evidences and impacts have been reported on the influence of external environment on firm performance according to Venkatraman & Prescott (1990). Performance of firms is an inter-relationship amongst different factors and, neither the environment nor strategy or structure alone can sufficiently explain the difference in performances. Panel et al. (2011) while studying SMEs from China, Turkey and USA found out that the combination strategy-performance linkage was supported in Turkey and USA. The results of the study showed that in China, the highest performing strategic group emphasized focus orientation accompanied by neither cost leadership nor differentiation, however, and the lowest performing group comprised of low-cost businesses. The classification of SME used was for the European Union and the Association of Turkish Trade Chambers. According to Leitner and Goldenberg (2010), the use of modern technologies and management practices, for example, total quality management and flexible production technologies allow organizations to reduce costs and differentiate products simultaneously. Environmental dynamism was found to moderate the strategic decision-making process and firm performance (Rasheed an Kotulic, 1995).

Ibrahim and Primiana (2015) while basing his finding on a literature review and a framework that has been developed concluded that concluded that business environment has an effect on organizational performance. A study by Al-Khouri (2010) acknowledges that stakeholder ratings both externally and internally are key to the performance of firms'. Similar findings by Chang and Fong (2010) concluded that corporate image is important to the performance of firms. This is because customers will always buy from firms they rate highly, and they also refer to others for similar products and services. Different stakeholders rate a firm from different perspectives depending on their interest. So managers need to understand the various interests of their stakeholders in order to manage their corporate image effectively. A good corporate image is one of the firm's capabilities that enable firms to achieve a competitive advantage over their competitors.

Conceptual Model



Source: Primary data 2016

Research Methodology

The study adopted the positivistic philosophy. The study sought to fill the gaps through the use of hypothesis then deduced from the observations, and that is why this philosophy was appropriate. This study involved collection of data and making comparisons with theories that guided the study. It was a descriptive cross-sectional survey. Cross-sectional survey according to Bryman and Bell (2007) examine relationships between variables, and there is no time order to the variables. The population of the study was 655 large manufacturing firms registered by Kenya Association of Manufacturers which has 13 key industrial sectors. Most firms were located in Nairobi and the surroundings. Stratification sampling technique was adopted to divide the manufacturing 13 sub-sectors forming a stratum. This was to get a representation of all items under study. Saunders et al. (2007) assert that this method gives a better comparison hence reducing standard error and also provide some control over variance. To determine the sample size the researcher used simple random sampling technique which allowed for equal representation of all firms in the target population and was important in reducing biases. The target respondent was the chief executive officer or with his or her permission, managers in marketing, corporate, the human resource which depended on the structure of the organization and availability to participate in the survey. Questionnaires were sent out to 139 large manufacturing firms. The questionnaire had been piloted to five large manufacturing firms to allow modification. A total of 75 questionnaires returned, but only 72 could be used after checking for their completeness. The descriptive and inferential analysis was conducted which involved the use of frequencies in their absolute and relative forms (percentages). Mean and standard deviations were also used as a measure of central tendencies and dispersion. By use of inferential statistics hypothesis were evaluated. Multiple regression models were used to evaluate the influence of the combination of variables including the interactions on performance and to test the nature and magnitude of the relationships between the variables in the study.

Analysis of Descriptive Data and Results

A total of 72 questionnaires were used. This represented 52 % of the large manufacturing firms sampled. According to Nachmias and Nachmias (2004) acknowledged that during survey research rarely do they surpass a response rate of 50% which they considered satisfactory. Most of the respondents were locally owned firms which constituted 44.4%. Those that were both locally and by foreign-owned constituted 38.9% while those owned purely foreign-owned totaled to 16.7%. This was a good indicator that Kenyan government embraced foreign investment which is in line with Kenya vision (2030), which is making the sector more vibrant. The respondents had worked for at least seven years representing 18.1% while

6.95% had worked for 12 years. This was a good indication that the respondents understood strategy development and implementation. The study adopted a cut of 0.5 and above as the rule. According to Moktar, Yussuff & Archad (2009) scores above 0.5 are valid for further analysis. All variables had alphas of 0.5, and above hence they were considered reliable. Multi-collinearity test was also undertaken to test if the residuals collated. The test indicated that all VIF values were within acceptable levels which were between 1 and 2. According to the field (2000), all VIF should be within 1 and 2. Construct validity to test how well the measure reflects the target construct was tested through factor analysis. All conditions of validity were met.

Findings for the tests for the Hypothesis and discussion

The objective of the study was to determine the effect of competitive strategies, business environment, corporate image, and performance was more than individual effects. The following hypothesis was formulated and tested:

H_1: The joint effect of competitive strategies, business environment, and corporate image is greater than the individual predictors on organizational performance of large manufacturing firms in Kenya.

To test this hypothesis, multiple regression analysis was conducted. A summary of regression results for joint influence analysis of competitive strategies, business environment, and corporate image on organizational performance are presented in Table, 2 and 3.

Table 1: Summary of regression results for Joint influence Analysis of Competitive Strategies, Business Environment, and Corporate Image on Organizational Performance of Large Manufacturing Firms in Kenya

R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
			R Square Change	F Change	df1	df2	Sig. F Change	
.408	.400	5.38855	.408	48.242	1	70	.000	
.436	.419	5.29980	.028	3.364	1	69	.071	
.597	.579	4.51018	.162	27.275	1	68	.000	1.882

Table 2: ANOVA for the joint influence of Competitive Strategies, Business Environment, Corporate Image on Performance

Sum of Squares	df	Mean Square	F	Sig.
1400.778	1	1400.778	48.242	.000[b]
2032.555	70	29.037		
3433.333	71			
1495.271	2	747.636	26.618	.000[c]
1938.062	69	28.088		
3433.333	71			
2050.096	3	683.365	33.594	.000[d]
1383.238	68	20.342		
3433.333	71			

Table 3: Coefficients for Competitive Strategies, Business Environment, Corporate Image on Performance

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-.070	5.498		-.013	.990		
	Competitive_strategies	.643	.093	.639	6.946	.000	1.000	1.000
2	(Constant)	-10.162	7.715		-1.317	.192		
	Competitive_strategies	.571	.099	.567	5.746	.000	.841	1.189
	corporate_image	.661	.360	.181	1.834	.071	.841	1.189
3	(Constant)	-20.289	6.846		-2.964	.004		
	Competitive_strategies	.503	.086	.499	5.882	.000	.822	1.217
	corporate_image	.223	.318	.061	.701	.486	.783	1.278
	Business_Environment	.421	.081	.432	5.223	.000	.865	1.157

Source: Primary data (2016)

The regression coefficients of the joint effect of competitive strategies, business environment and corporate image on performance are presented in Tables 3. The beta coefficients illustrate that competitive strategies (β = 0.499), (p-value=0.000) is significant, corporate image (β = 0.061), (p-value=0.486), not statistically significant and business environment (β = 0.432), (p-value=000) is significant. When all variables have been put together their relationship is significant, and hence, the hypothesis is supported. The regression model used to predict performance arising from the joint effect of competitive strategies, business environment, and corporate image on performance was fitted as follows:

O.P= .-20.289 + 0.499C.S + 0.061C.I + 0.432B.E + (6.846) Error Term. Where:
O.P =organizational performance
C.S = composite index of competitive strategy
C.I = composite index of the corporate image
B.E = composite index of the business environment.

Therefore any unit change of competitive strategies, corporate image, and business environment influences a change in firm performance by 0.499, 0.061 and 0.432 respectively.

Discussion of Results

The study had one broad objective to determine the joint influence of competitive strategies, business environment and corporate image on the performance of large manufacturing firms in Kenya. There was an assumption that competitive strategies, business environment, and corporate image had an influence on performance of large manufacturing firms in Kenya A corresponding hypothesis **H_1:** The joint effect of competitive strategies, business environment, and corporate image is greater than the individual predictors on organizational performance of large manufacturing firms in Kenya was formulated and tested. The regression coefficient revealed that the results were statistically significant which were sufficient to support the influence of the joint effect of variables on the performance of large manufacturing firms in Kenya.

These findings were consistent with findings by Aosa (2011) who adduced that firms in Kenya indeed adopted a strategy and the strategy had an impact on the performance of those firms. Similarly, Arasa and

K'Obonyo (2012) asserted that strategy was related to firm performance. This, however, was in contradiction by Machuki and K'Obonyo (2011) who found out that corporate strategy was not statistically significant to firm performance. This, therefore, requires that the manager of these large manufacturing firms understand the challenges that the organizations firms so that they craft strategies appropriate for their firms and industry and also situation they may find themselves into. This will help the firms to stay ahead of competitors who don't have a strategy.

Summary, Conclusion, and Recommendations

The results of the joint effect of competitive strategies, business environment and corporate image on performance were statistically significant implying that the variables jointly influence organizational performance. This supports the findings of Barnes (1996) that competitive strategies influence firm performance. This interdependence of the variables is very crucial, and consequently, some assessment of their impact should be assessed and considered. The results were sufficient to support the influence of joint variables on the performance of large manufacturing firms in Kenya.

Limitations of the Study

The researcher was not able to develop a unified way of selection of competitive strategies process. Each of these strategies depends on the ability to choose the strategy that fits the organization. The sample was only drawn from KAM registered organizations operating in Kenya. Therefore generalization of the findings requires additional studies to be conducted elsewhere in other sectors. Other sizes of firms can also be considered as well as in other economies to see whether they yield to similar results.

Suggestions for Further Research

Future studies can introduce other variables either intervening or mediating the relationship. Future studies could consider other dimensions of valuables that were not considered or consider the variables in other conditions of the environment. The study variables can be extended to other sectors.

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