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The Influence of Corporate Image on the relationship between Competitive Strategies and Performance of Large Manufacturing Firms in Kenya

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Abstract: *Companies nowadays understandably manage their corporate image. Building a good image is very crucial in determination of long term success of the firm. There is a very strong positive correlation between stakeholders especially the key ones like customers perceptions of a company and supportive behaviour towards the firm. Firms can sustain a good corporate image by constructionofstrong and supportive relationship with its constituents. Firms constituents are very sensitive to firms overall image of the firm since they are the ones that influence the performance of firms. There are several factors that may have contributed to the increased importance of corporate image today. The business environment has forced many firms to significantly alter their strategies to be able to compete and also survive. Products are also becoming obsolete very fast. Globalization has made corporate image very vital due to spread of reputations to markets which are distant. Firms with dispersed branches may also project very dissimilar or even contrary images which can be detriment to corporate synergy. The society also has grown its expectations for organizations to be socially responsible. Therefore from this discussion firms have recognized that there are tremendous benefits when firms are both socially and environmentally responsible. Literature is however not consistent on how corporate image impact performance of firms. The study adopted Porter's (1980) framework while using Dynamic capability and stakeholders theories as the founding theories. While adopting cross sectional descriptive survey, the study used positivist philosophy since through hypothesizing the study deduced from observations. The study targeted all large manufacturing firms in Kenya. Data was collected using a structured questionnaire. Data description was by use of percentages, standard deviation and mean scores, data was described. The hypothesis testing was through regression analysis. Corporate image moderation effect on the relationship between competitive strategies and performance of firms was found to be statistically significant. In this study, consequently, corporate image had an indirect relationship between competitive strategies and performance of large manufacturing firms in Kenya. The study recommends that manufacturing firms in Kenya to strengthen the need to prioritize strategically building a strong corporate image for long term success.*

Keywords: *Corporate Image, Stakeholders, Manufacturing Industry Kenya.*

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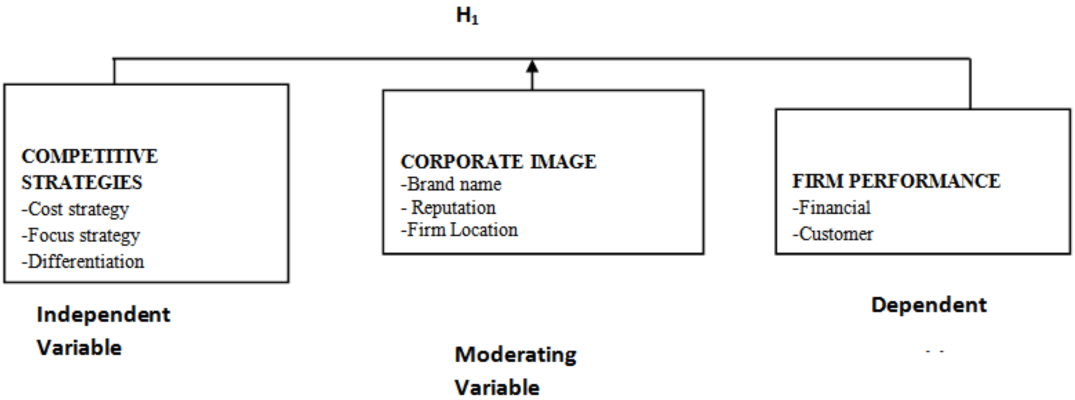
I. Introduction

Competitive Strategies, Corporate Image and Performance of firms

The ability of any firm to maintaining a consistent corporate image is critical to firm performance. People tend to humanize firms; corporate image according to (Bouchet, 2014) represents how stakeholders describe an organization. Imagethereforeisa mental picture on stakeholder's perception of the organization which keeps changing. According to Nguyen and Leblanc (2001) corporate image is a firm's characteristics. A firm that does not manage its image well or ignores it is likely to encounter several problems. Reputation grows like wild plants or weeds in a garden. Just to mention a few warning signs of firms that might have had an image problem may include increased employee turnover, major customers disappearance, stock value dropping and finally and not the least firms may have a bad relationship with various government agencies. If therefore an image problem is not addressed, organizations can find a rising cost when they carry their business. Customers also base their purchase choices partly on trust and therefore image can jeopardize not only current but future sales level of the company in question. Firms regardless of size therefore should recognize the importance of creating and maintaining a strong image and also ensure that employees are aware of it. Corporate image commences from top management when developing good company policies instead of controlling the damage from bad policies. Firms can relentlessly gather data on corporate image to successfully position them better in the market and improve how they perform. The study is found on dynamic capability theory(Teece, 2012) and stakeholders' theories and goal setting theory.According to Schilke (2014) a good corporate image tends to attract not only good staff but retain good staff. It also encourages new shareholders and current shareholders to invest with the firm.Chang and Fong (2010) acknowledged that the image of an organization is avitalfactor to firm success. While strategy is based on the current conditions of the market, it also works together with firm's capabilities and resources amounting to the achievement of the largest goal which is the performance of the firm. Corporate image is one the many intangible capabilities of firm which can determine the success or failure of the firm (Balmer, 2008). A positive corporate image is able to distinguish an organization from its rivals and it can boost increased purchases. According to Al-Khouri (2010) a firm which is positively rated by its stakeholders performs better. A study by Namubiru et al. (2014) found that corporate image significantly influenced how the firm performed. This confirmation was when studying firms owned by state supervised by privatization unit in Uganda. On a study by Walsh, Dinnie, &Wiedmann (2006) corporate image had an impact on customer satisfaction and influenced performance in the long run. Mohammed (2012) asserted that corporate image mediated social responsibility and the firm performance. Therefore from the empirical research there is need for firms to have a strategic view of the impact of corporate image on the performance of firms. From this discussion corporate image can moderate the relationship between competitive strategies and firm performance.



Conceptual Model

Research Methodology

This investigation used positivistic philosophy since it sought to find gaps through hypothesizing then inferring the researcher observations. It therefore entailed gathering of data then comparisons are made. Cross sectional descriptive survey research design was adopted which allowed examination of variables without time order of the variables. All large manufactures according to KAM directory (2015) were randomly selected. The industry had 14 subsectors. 300 large manufacturers were considered and through stratification randomly 139 firms were computed as a sample by use of Kate's (2006) formulae.

A questionnaire which was structured covering survey variables was used. The questionnaire was establishedfrom previous study foundations and wasadministered by way of drop and pick.Reliability cut off point was Cronbach's alpha 0.5 and above and alpha was not to be more than 0.5 which was in agreement with (George &Mallery, 2003). By use of experts which is in line with Saunders et al., (2007) and use of factor analysis, validity was met. Questionnaire was pretested using five firms which were excluded from the final analysis. Linearity was tested by plot of standardized residuals and standardized dependent variable data in an expectation to show the existence of random pattern if it'swas not there then linearity was assumed to lack. Through p-p plots and Shapiro-Wilk including Kolmogorov-Smirnov test and by inspecting data plots normality was determined. Data was assumed normal if the data gave a bell-shaped curve which had more points in the middle and reduced existences to the extremes. Through VIF (Variance Inflation Factor) multicollinearity was tested. The values of VIF were to be less than 10 whereas the tolerance values were to be over 0.10. Using Chi square test and Correlation analysis independence of association of variables was established.

Descriptive Data and Results

72 questionnaires were properly filled representing 52% of firmsthat were sampled. The response rate was similar to Munyoki (2007) who had a 51% andMachuki (2011) with 36% respectively.Nachmias and Nachmias (2004) acknowledged that rarely do survey studies go beyond 50%. The study thereforesuggestedthat a response rate of 50% to besatisfactory. This study adopted alpha coefficient cut of 0.70 and above as the

measure of reliability. All the study variables had alpha coefficient of 0.7 and above which was considered very reliable. All circumstances of validity were met. Multicollinearity test results indicated that all VIF values fell within acceptable limits which were between one and two. All validity conditions were met.

Competitive Strategies, Corporate Image and Performance

The objective of the study was to determine the influence corporate image on the relationship between competitive strategies and performance of firms. This was accomplished by analyzingthe following hypothesis;

H_1: Corporate image has a significant influence on the relationship between competitive strategies and performance of large manufacturing firms in Kenya.

To test the hypothesisStepwise regression analysis was used. In the first step, the independent variable which is competitive strategies was regressed on firm performance then regressing competitive strategies data on corporate image and finallyintroduction of the interaction term between competitive strategies data and corporate image data. The moderation influence was confirmed when the results were statistically significant. The results are presented in Table 1.1

Table 1.1: Regression Results Showing Moderation Effect of Corporate Image on Relationship between Competitive Strategies and Firm Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.566	.320	.311	.54947	.320	32.985	1	70	.000	
2	.600	.360	.341	.53708	.040	4.265	1	69	.043	1.932

a. Predictors: (Constant), Corporate image, Competitive strategies

b. Predictors: (Constant), Corporate image, Competitive strategies1, CS_CI interaction

c. Dependent Variable: Firm performance

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.959	1	9.959	32.985	.000[b]
	Residual	21.134	70	.302		
	Total	31.093	71			
2	Regression	11.189	2	5.595	19.395	.000[c]
	Residual	19.904	69	.288		
	Total	31.093	71			

a. Dependent Variable: Firm performance

b. Predictors: (Constant), Corporate image, Competitive strategies

c. Predictors: (Constant), Corporate image, Competitive strategies1, CS_CI interaction

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.997	.394		2.530	.014		
	Competitive strategies1	.678	.118	.566	5.743	.000	1.000	1.000
2	(Constant)	1.320	.416		3.175	.002		
	CS_CI interaction	.137	.067	.203	2.065	.043	.958	1.044

a. Dependent Variable: Firm performance

Source: Primary data (2019)

Table 1.1 shows that the first model is significant (p-value < 0.05, R^2 = .320 hencethe data for competitive strategies and corporate image jointly explain 32.0% of variation in performance. Further, upon introduction of the interaction term, the change in p-value in model 2 also becomes .043 which is also significant (p-value<0.05) implying that corporate image significantly moderate the relationship between competitive strategies and firm performance.

Therefore based on the results of the test, the hypothesis that corporate image moderate the relationship between competitive strategies and firm performance was accepted.

This was guided by the following model; $Y= \alpha+ \beta_1 Z+\beta_2 X.Z + \varepsilon$

Where: Y_i is Firm performance

Z is corporate image (Moderating variable)

X.Z is Competitive strategies and corporate image (interaction)

ε= Error term

β = the beta coefficients of independent variables after the regression analysis results, the model became Y= 1.320 + .997 Z+ .137 XZ. That means a unit change in competitive strategies plus a unit change of corporate image will cause a change of 0.997 and .137 of performance of large manufacturing firms in Kenya.

II. Discussion of Results

There was an assumption that corporate image could moderate the relationship between competitive strategies and performance of large manufacturing firms in Kenya. Hierarchical analysis was used to test the hypothesis. The order of the analysis was first the independent analysis and then combined effects. Lastly, interaction term is introduced to test for the hypothesis. Using hierarchical regression analysis, the study established that corporate image significantly moderated the relationship between competitive strategies and performance of large manufacturing firms in Kenya.

The study concurs with Chang and Fong (2010) who found out that corporate image had a positive effect on performance of organizations. Similarly results, Heslin, VandeWalle& Latham (2005) assertpositive corporate image is able to distinguish itself from competitors and encourage customers to buy. Porter and Kramer (2007) concluded that through corporate social responsibility, firms are able to establish a good image ensures competitive advantage and provide financial returns from the market. Good corporate image helps to significantly reduce associated costs of a firm since employees have a preference to work in a firm with good reputation at a lower salary (Roberts & Dowling, 2002). According to De Madariaga and Valor (2007) as a key factor to survive in mature markets heavily relies on the ability of firms to sustaining long term relationships with their stakeholders.

Heslin, VandeWalle and Latham (2005) emphasis that firms need closely to monitor their image for their long run existence. This will depend on how customers/ stakeholders perceive the firm. This is of importance because competitive strategies are the firm's strategy towards the external environment which includes competitors and customers (Hitt, Ireland &Hoskisson, 2015). Contrary, Kamal et al. (2013) found that corporate image had no statistical moderation influence on the relationship between distributive justice, procedure justice and satisfaction. From the empirical discussion there is inconsistency in the findings. It implies therefore that, large manufacturing firms that seek to create a positiveimage amongst their stakeholders can endeavor to understand the stakeholder's different dimensions of how they evaluate the firm and try to create a good corporate image for a sustainable competitive advantage.

III. Summary, Conclusion and Recommendations

Results of this study indicate that corporate image moderated competitive strategy-performance relationship. Manufacturing firms can strategically create a distinct image in the minds of the stakeholders for them to succeed. This reinforces the need for large firms to give priorityto building of a strong corporate image. It's costly to build a good strong image but a good corporate image has a long-term strategic benefits.Corporate image was enhances performance of firms.

Limitations of the Study

Results indicate that corporate image indirectly influence performance. To generalizability of the results entails the study of each stakeholder in construction of the corporate image. This study being a cross sectional study calls for further examination to comprehend the fundamental justifications or if causativeness existed between variables.

Suggestions of the Study

Future investigation could be carried out in developed or emerging countries with similar sociocultural context. The research used large manufacturerslisted under KAM. This deduction may not be appropriate for generalizing outcomes for the total populations until every sector in manufacturing and all sizes of firms are considered. Generalization of theresults requires therefore supplementary studies in additional sectors like service industry like banking, insurance and tourism. To establish the underlying causal relationship amongst the variables, longitudinal studies can be carried out to find whether causal relation really exists.

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