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EFFECTS OF STRATEGIC CONVERSATIONS ON FIRM PERFORMANCE: A CASE OF MABATI ROLLING MILLS, KENYA

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ABSTRACT

This study sought to establish the effects of strategic conversations on firm performance focusing on Mabati Rolling Mills, Kenya. The study was conducted using descriptive survey design and targeted the 281 management and personnel of the firm from which a sample size of 140 respondents were selected using stratified random sampling method. Questionnaires were used to collect data after pilot testing them in a manufacturing firm in Nairobi County. The questionnaires were also pretested to ensure content validity and also for reliability at the recommended Cronbach alpha of 0.7. The data was analyzed using both descriptive and inferential statistical methods. It was hoped that the findings of the study would be beneficial to all stakeholders in the manufacturing industry. This may lead to the development of better practices to improve management efficiency in the sector. The results of the findings indicated that the communication channels were made more effective efficient and ethical. The study indicated that management encouraged a lot of honest conversations within the firm to take place. Biasness in communications were not accepted in the firm and there was need to reduce them. The study also indicated that the reporting fidelity of all communications was high and maintained. The study found out that the firm was able to determine effective communication channels which have encouraged continuous communication to take place. The study also revealed that disclaimers were often put on articles or statements which they deemed unofficial or not emanating from their team to maintain high levels of professionalism to their customers. The findings of the study would be beneficial to all the stakeholders as its findings could be generalized to manufacturing industries. The study recommended the development of better strategic conversation practices by firms to improve management efficiency.

Key Words: *Strategic Communications, Firm Performance*

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INTRODUCTION

In today's turbulent business environment, ability to formulate the future and position the organization or business unit into a strategic position with competitive advantage over potential threats for survival is of significant impact to the organization (Sauerhoff, 2014). Businesses and even non-business organizations are under increasing competitive pressure to perform if they are to survive and remain relevant in the market (Mahdavian, Mirabi, &Haghshenas, 2014). As such, managers have to be strategic in everf5ry aspect of the management function of the organization in the changing business environment characterized by stiff competition, raised stakeholder expectations and the need to maximize utilization of organizational resources by operating more efficiently.

Alignment requires a shared understanding of organizational goals and objectives by managers at various levels and within various units of the organizational hierarchy. A firm's ability to seek and maintain a competitive advantage rests on its ability to acquire and deploy resources that are coherent with the organization's competitive needs. However, some strategy researchers have argued that too much alignment may result in firms with components that are very tightly coupled and lead to problems with adapting to a dynamic external environment. For instance, Hagel and Singer (2009) argue that fit should be considered in light of the interaction costs faced by a firm. They contend that if the interaction costs of performing an activity within the confines of the firm are higher than the costs of performing it externally, then it ought to be performed externally rather than attempting to create a fit within the tightly couple bounds of the firm.

Management research has defined performance from a variety of perspectives (Venkatraman, 2006). The business performance perspective will be selected for the present study. Business performance includes indicators such as return on sales, return on capital, and profit per share, as well as non-financial indicators such as market share, or new product development. In order to remain consistent with the definition of business strategy used here, wherein business performance is seen as "the long-term well-being and strength of the enterprise relative to its competitors" (Ward & Griffiths, 2006), business performance is defined here along two dimensions: growth and profitability, relative to the competition. The growth dimension takes into account the notion of "long-term well-being" while the profitability dimension embeds the notion of strength. Firm performance refers to the final achievement of an organization and contains; existence of certain targets to be achieved efficiently and effectively within a specified period of time (Gibson, Mundy & Sink, 2010). According to Koontz and Donnell (2003), firm performance refers to the ability of an organization to achieve objectives such as high profit, quality products, large market share, good financial results, and survival at pre-determined time using relevant strategy for action.

Effective organizations are organic, integrated entities in which different units, functions and levels support the company strategy - and one another (Lingle & Schiemann, 2016) and as a result, coherence or alignment on these organizational entities have an impact on the performance of these organizations. Nath and Sudharshan (2014) found that by studying a firm's business strategy and the different functional areas in the organization, they found out that there existed some measure of coherence. They further found out that alignment between strategic and operational aspects is more "visible" in successful firms. This is consistent with Day (1984), who suggested that business strategy should be integrated with functional strategies to achieve a sustainable competitive advantage. These studies therefore lend credence to the suggestion that when various levels of strategy and strategic priorities are consistent, linked, and mutually supporting, the performance of the organization would be higher than otherwise.

Kenya has a large manufacturing sector serving both the local market and exports to the East African region. The sector has both subsidiaries of multinational corporations and locally owned and franchised around the region such as the East African Cables Limited. Manufacturing contributed to approximately 20% of the Gross Domestic Product (GDP) in 2009. Manufacturing also contributed 13% of formal employment and 12.5% of Kenya's total exports in 2008. According to Kenya Association of Manufacturers (KAM 2011), there are 700 registered members. These are classified as large, medium and small scale manufacturing firms according to annual average turnovers made. The KAM defines small scale manufacturers as those manufacturing firms with a turnover of between ten million and twenty million Kenya shillings. Medium scale manufacturers range in turnover between twenty million and two hundred and fifty million while the large scale manufacturers have turnovers in excess of two hundred and fifty million Kenya shillings.

The Kenyan Roofing industry has faced enormous environmental changes and therefore requiring adopting good competitive strategies. The changes in economic trends have made the industry become more vibrant. Customer preference has also changed over the years. Customers have demanded for more quality products and at times very sophisticated in nature. The industry has also experienced a lot of climatic change therefore requiring the manufacturers to improve on quality of the products. The industry supplies numerous products from corrugated sheets, clay tiles, concrete tiles and stone coated tiles. These products range in different prices. Among the different categories, they also differ in quality and designs. The costs of installation of the different products also vary. The cost of installing the cheaper products is much lower than when the customers use the costlier products. The industry being part of the larger roofing industry has been viewed as very lucrative industry to be in. This is because there has been great increase in the demand for housing. The real estate business has really experienced growth. This has caused many organizations to desire to enter into the market. This is because these organizations believe they can reap profits.

Statement of the Problem

As organizations become more competitive and complex, their strategic position in the market becomes ever more important. Therefore, their long-term survival will largely depend on their strategic competitiveness, going forward. Organizational strategic alignment requires understanding of organizational goals and objectives by managers at various levels and within various units of the organizational hierarchy. This is because a firm's ability to seek and maintain its performance rests on its ability to acquire and deploy resources that are coherent with the organization's performance needs (Porter, 1996). With this enhancement of performance in organization's activities, it is expected that the same organization will be able to improve the performance of the activities and service it is offering. However, some strategy researchers have argued that too much alignment may result in firms with components that are very tightly coupled and lead to problems with adapting to a dynamic external environment. For instance, Hagel and Singer (1999) argue that fit should be considered in light of the interaction costs faced by a firm. They contend that if the interaction costs of performing an activity within the confines of the firm are higher than the costs of performing it externally, then it ought to be performed externally rather than attempting to create a fit within the tightly couple bounds of the firm. The end result of successful strategic direction setting must therefore be the capacity of the organization to align its internal resources towards the attainment of the same objectives. Mabati Rolling

Mills is in a very competitive manufacturing sector, and as an industry player, it needs to align itself with the diverse evolving client's needs. However, its strategic alignment in relation to industry demands has not been investigated in previous research. Studies have been done on the effect of strategic alignment on organizational performance. Pearson and Saunders (2004) pointed out that successful firms have an overriding business strategy that drives organizational strategies. For a firm to perform, the technology strategy must be aligned with organizational and operational strategies. Thawesaengskulthai (2007) stated that technological innovations must support operational and organizational strategies, as this alignment will lead organizations to improve the operational performance and gain a competitive advantage. As a result of the aforesaid, this study sought to establish the effect of strategic conversations on firm performance focusing on Mabati Rolling Mills in Kenya.

Objectives of the Study

This study sought to establish the effects of strategic conversations on firm performance focusing on Mabati Rolling Mills, Kenya. The research was guided by the following hypothesis;

- **$H0_0$:** Strategic conversations has no significant effect on firm performance of Mabati Rolling Mills, Kenya

LITERATURE REVIEW

Resource Based View Theory

The resource-based view of the firm (RBV) and the resultant resource-based theory (RBT) provide an important framework for explaining and predicting the basis of a firm's competitive advantage and performance (Barney et al. 2011; Slotegraaf et al. 2003; Vorhies and Morgan 2005). Even though prior works have identified organizational resources as important to a firm's success (Penrose 1959), it was not until the 1980s that the resource-based view of the firm began to take shape. At that time, according to Peteraf and Barney (2003), a firm achieves a competitive advantage when it is able to generate "more economic value than the marginal (breakeven) competitor in its product market". The resource-based view (RBV) as a basis for the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal (Mwailu& Mercer) 1983. To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile (Peteraf 1993).

Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort (Barney, 1991). If these conditions hold, the bundle of resources can sustain the firm's above average returns. The RBV suggests that the resources possessed by a firm are the primary determinants of its performance, and these may contribute to a sustainable competitive advantage of the firm (e.g., Hoffer &Schendel, 1978;Wenerfelt, 1984). According to Barney (1991), the concept of resources includes all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness (Barney, 1991; Daft, 1983). A competitive advantage can be attained if the current strategy is value-creating, and not currently being implemented by present or possible future competitors. Sustainability in the context of a sustainable competitive advantage is independent with regard to the time frame. Rather, a competitive advantage is sustainable when the efforts by competitors to render the competitive advantage redundant have ceased (Rumelt, 1984).

Strategic Conversations and Firm Performance

Strategic conversations are multi-directional multidimensional communication mechanisms for better shaping and integrating the strategic intent of top management with both the firm's capabilities and the competitive realities the organization encounters. For strategic conversations to be effective in strategy making, communications must explicitly involve both talking and reflective listening by all participants. Typically, strategic conversations have been used to create open channels of unfiltered information between top managers and ground level marketing, technology, and sales force boundary-spanning employees (BSEs) (for a discussion of BSEs see Bezrukova et al., 2003). These conversations help the BSEs to understand the strategic intent of top management while simultaneously enabling executive-level managers to gain a richer and more honest understanding of both the possible future the firm faces and the ability of the firm to align itself with its desired future. In the past few years, one facet of organizational planning has evolved that includes ... ''the capability of organizations to perceive what is going on in their business environments, to think through what this means for them, and then to act upon this new knowledge'' (Van der Heijden et al., 2002: 2). Van der Heijden et al. (2002) refer to this strategy as adaptive organizational learning, a holistic, proactive approach to the organizational management learning process that is centered on scenario planning, the use of positive and negative scenarios to examine a range of potential situational antecedents and their corresponding consequences. As one approach to scenario planning, strategic conversations evolve as ''...people come together to share and analyze information, ideas and paradigms that are of strategic importance to our organization'' (Maricopa, 1999). This philosophy of active stakeholder engagement by management reflects structural changes in organizational communication models that evolved in the l980s, as a strategic response to market and technology turbulence, resulting in a shift from a hierarchical 'functional' approach to a flatter 'customer-driven' structure for organizational communications (Raspberry and Lindsay, l994: 52). In addition, the rapid and widespread adoption of e-mail and the Internet for intra and inter organizational communications made it possible for all stakeholders to have a voice in organizational issues. These changes altered the communication flow within organizations – which traditionally flowed downward – to one which also allows stakeholders and BSEs to directly communicate with top executives. For effective strategy making to occur, there should be a channel for honest, unfiltered information to flow from the BSEs who directly interact with stakeholders and technology and strategy making top executives. For strategic conversations to be most effective, all levels of an organization must, at a minimum, be aware of stakeholder concerns. Hastak et al. (2001) suggest that consumer survey research techniques should be explicitly integrated into policy-making processes. Strategic conversations enrich this communication process to include direct, open-ended, bi-directional dialogue between management and other relevant stakeholders.

Liedtka and Rosenblum (1996: 147) discussed the metaphor of strategic conversations ''as a way of thinking about how organizations address (its) external and internal questions.'' Strategic conversations consist of open issue-oriented, fact-based conversations between stakeholders, BSEs, and top management. Likewise, Von Krogh and Roos (1995: 391–392) suggest that

''Strategic conversations ... are oriented towards the advancement of the company, to the creation of the future for the business. You (in theory) meet with other people in the organization to discuss issues of a different nature than operational issues...Strategic conversations are also about the creation and acquisition of resources for the future and how these resources should be allocated in the future. In short,

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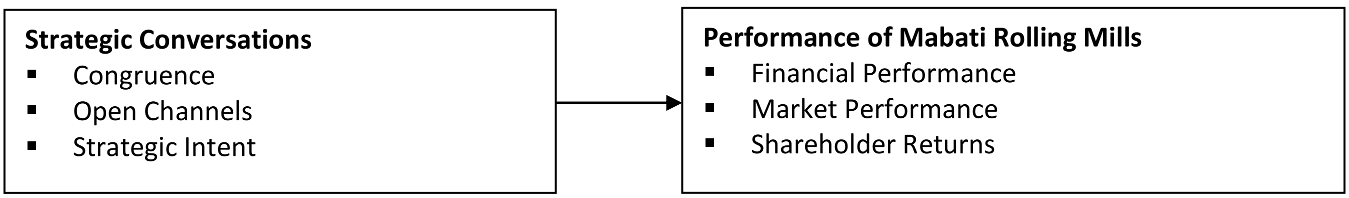
strategic conversations are the cradle of a company's strategy.''

While strategic conversations have been used to better align the perceptions, values, and concerns of top management with BSEs (see Chesley and Wenger, 1999; Liedtka and Rosenblum, 1996), little work has been done on leveraging strategic conversations to better align the aspirations of top management with BSEs and other relevant stakeholders (for an excellent discussion of the impact of communications with stakeholders on the mental models of management see Bronn and Bronn, 2003). In one seminal study, Buysse and Verbeke (2003: 453) found that ''more proactive environmental strategies are associated with a deeper and broader coverage of stakeholders.'' In fact, without engaging stakeholders in strategic conversations, top management runs the risk of intellectual isolation from its stakeholders and its own BSEs, creating a ''bunker mentality'' that offers a very management-centric, limited perspective of the firm, its capabilities, and potential futures.



Independent Variables **Dependent Variables**

Figure 1: Conceptual Framework

Empirical Literature

Miles, Munilla and Duroch (2006) examined the role of strategic conversations with stakeholders in the formation of corporate social responsibility strategy. The study proposed the use of strategic conversations as one way of enabling BSEs to link the organization with its wider community. The study also explained why the use of strategic conversations may minimize both the performance/capability and future gaps caused by different perceptions held by managers, BSEs, and stakeholders. While managers need not agree with every divergent perspective that might arise during a strategic conversation process, we suggest that the strategy making – strategy realization process would be greatly enhanced by an understanding of the concerns and preferences of diverse stakeholder groups   a public and open strategic conversation process.

Santa et al., (2010) examined the impact of strategic alignment on the operational performance of post implemented technological innovations in Australia. The findings revealed that organizations looking for improvements in operational performance through adoption of technological innovations need to align with operational strategies of the firm. Impact of operational effectiveness and technological innovation effectiveness are related directly and significantly to improved operational performance. Perception of increase of operational effectiveness is positively and significantly correlated with improved operational performance. The findings suggest that technological innovation effectiveness is also positively correlated with improved operational performance. However, the study found that there is no direct influence of strategies- organizational, business and information systems (IS) - on improvement of operational performance. Improved operational performance is the result of interactions between the implementation of strategies and related outcomes of both technological innovation and operational effectiveness.

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A study by Ng'ang'a (2013) on strategic leadership and performance of manufacturing firms in Kenya revealed that the CEO's outstanding leadership attributes included ability to initiate change and implement strategies. In addition, leadership actions that were profound within the manufacturing firms included: exploiting and maintaining core competencies, developing human

capital and social capital. The findings show that these leadership actions have highly contributed to the performance of manufacturing firms. The findings also revealed that the manufacturing firms look at the customers' complaints and suggestions with an intention of working on them. The firms also review and make corrective adjustments as suggested by the customers, on account of detailed control reports on goods that the firms frequently produce, and regular results management meetings that the firms' leadership calls. The firms, further, aligned their core competencies with organizational objectives besides encouraging and putting pressure on employees to achieve organizational goals in addition to nurturing a culture that fosters positive performance. However, the manufacturing firms were weak at attracting skilled labour, neither were the employees encouraged to maintain team cohesion. Reward system was rarely aligned to the firms' goals and employee creativity and leaders' ability to manage new business strategies were rated low.

METHODOLOGY

Descriptive research design was used in this study. This study was cross-sectional in nature since it studied many units at the same time. The research also adopted a survey method. The study was carried out in Mabati Rolling Mills in Athi River and Mariakani, Kenya which was a fully operational roofing material manufacturing firm. The study therefore targeted management personnel working in the production department, finance, human resources, marketing and sales and the procurement departments in Mabati Rolling Mills in Athi River and Mariakani. The study employed structured questionnaire for data collection. The data collected was derived from both primary and secondary sources. The researcher used the computer software Statistical Package for Social Scientists (SPSS) version 24 for windows to conduct initial data analysis using simple descriptive statistical measures such as, mean, standard deviation and variance to give a glimpse of the general trend.

FINDINGS

Table 1: Frequency Distribution on the Strategic Conversations on Firm Performance of Mabati Rolling Mills

Statement	1 %	2 %	3 %	4 %	5 %
We encourage honest conversations within the firm	2	3	1	51	43
We try to reduce instances of bias in communication	8	5	6	42	39
We have high reporting fidelity of all communications	5	6	4	44	41
We have been able to determine effective communications channels	13	15	6	39	29
All our communications channels are reviewed periodically	7	12	6	44	31
We package our communications so as to reflect our values and mission	4	14	5	42	35
We often put disclaimers on articles or statements which we deem unofficial or not emanating from our communications teams	6	16	5	43	30

The study findings in Table 1 indicated that management encourages honest conversations within the firm as given by 51% (n=61) of the respondents agreeing and 43% (n=52) of the respondents for strongly agreeing. The study findings also indicated that management tried to reduce bias

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in communication as indicated by 42% (n=50) of the respondents agreeing and 39% (n= 45) of the respondents strongly agreeing with that. The study revealed that the reporting fidelity for all communication is high as given by 44% (n=53) of the respondents agreeing and 41% (n= 49) of the respondents are for strongly agreeing. The communication channels had improved and made effective as indicated by 39 % (n=47) of the respondents for agreeing and 29% (n=35) of the respondents for strongly agreeing. The study findings indicated that all the communication channels were periodically reviewed to maintain proper functionality as indicted by 44% (n=53) of the respondents agreeing and 31% (n=37) of the respondents strongly agreeing. The study also indicated that quite often management put disclaimers on articles or statements deemed unofficial or not emanating from their communication teams as given by 43% (n= 52) of the respondents agreeing and 30% (n=36) of the respondents strongly agreeing.

Table 2: Frequency Distribution for Firm Performance of Mabati Rolling Mills

Statement	1 %	2 %	3 %	4 %	5 %
Our sales revenue has been improving as a result of realignment	8	15	7	45	25
We have been able to attain profitability with most of our products	6	10	6	47	31
Market response to our products has been positive	8	14	5	43	30
Most of our products are absorbed by the markets	18	15	8	38	25
We have reduced the levels of non-performing products	7	12	6	44	31
We have been able to operate with low levels of debts	9	6	0	53	32
Our profitability margins are improving	16	20	3	34	27

The study findings in Table 2 indicated that revenues from sales were improving as a result of realignment as indicated by 45 % (n= 54) of the respondents agreeing and 25 % (n= 30) of the respondents strongly agreeing. The study also found out that they had been able to attain profitability with most of their products as given by 47 % (n= 56) of the respondents agreeing and 31 % (n= 37) of the respondents strongly agreeing. The study also revealed that the market response to their products was also positive as indicated by 43 % (n= 52) of the respondents were for agreeing and 30 % (n= 36) of the respondents were for strongly agreeing. The study revealed that most of their products were absorbed by the market as indicated clearly by 38% (n= 46) of the respondents agreeing and 25 % (n= 30) of the respondents strongly agreeing. The study also indicated that they had reduced the level of non-performing products as given by 44 % (n= 53) of the respondents for agreeing and 31 % (n= 37) of the respondents strongly agreeing. The study revealed that the firm had been able to operate on low levels of debts as indicated by 53% (n= 64) of the respondents agreeing and 32 % (n= 38) of the respondents strongly agreeing. The study also revealed that profitability margins are improving as indicated by 34 % (n= 41) of the respondents agreeing and 27 % (n= 32) of the respondents strongly agreeing.

Correlation Analysis

Table 3: Correlation Analysis

Variables		Firm Performance
Firm Performance	Pearson Correlation	1
	Sig. (2-tailed)	
Strategic Conversation	Pearson Correlation	0.889
	Sig. (2tailed)	0.015

Testing at 5% significant level, two tail tests; the correlation analysis was significant since the p-value (Sig.) was less than 0.025 ($p<0.015$). The findings further reveal that strategic conversation had strong correlation with the firm performance since their Pearson values was 0.889.

Regression Analysis

The study found out that the independent variable in the study explained a significant proportion of variance independent variable R^2= 0.639 which implied that 63.9% of the proportion in firm performance could be explained by the independent variable while other variables not covered by this study contributed to 36.1 % of the variance.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.800[a]	.639	.627	.26145

a. Predictors: (Constant), strategic conversation

Table 5: Regression Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	3.484	1	3.484	51.235	.000[b]
1	Residual	8.024	118	0.068		
	Total	11.508	119			

a. Dependent Variable: firm performance

b. Predictors: (Constant) strategic conversation

The significance value in testing the reliability of the model for the relationship between the independent variable and the dependent variable was $F(1, 118) = 51.235$, $p = 0.000$; therefore, the model is statistically significant in predicting the relationship between the study variables since the F value is greater than 0.05 testing at 5% significant level using a one-tail test.

Regression Coefficients

Table 5: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	11.025	.783		14.086	.000
Strategic Conversation	.679	.292	.746	12.589	.000

a. Dependent Variable: firm performance

Based on the linear regression model, $Y = \alpha + \beta_1 X_1 + u$, the model therefore becomes; $Y = 11.025 + 0.679 X_1 + u$

Where Y = dependent variable (Firm Performance)

α = constant

β_1 is the coefficient of independent variable

Testing at 5% significant level, the regression analysis is significant since the p-value (Sig. $p<0.05$) testing at the one-tail test. The findings indicated that every unit increase of strategic conversation by 67.9% would increase firm performance by one unit taking into considerations the other variables to be constant value and the value for the standard error.

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CONCLUSION AND RECOMMENDATIONS

Based on the study findings, the study concluded that the firm had put in place efficient and effective communication channels which are periodically checked to maintain their efficiency. The study also concluded that there were a lot of ethical considerations during communication as they are encouraged to practice honesty and disclaimers often put on articles or statements which they deem unofficial or inappropriate.

The study recommended for the management systems of Mabati Rolling Mills to come up with better strategies of involving everyone in the decision-making process in order to reduce the influence of bureaucracy practices. The study recommended the management of firms to provide better training of employees in order to increase the competence and skills.

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