INFLUENCE OF STRATEGIC OUTSOURCING & STRATEGIC RESOURCE MANAGEMENT ON CORPORATE PERFORMANCE AT EAST AFRICAN BREWERIES LIMITED

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ABSTRACT

The study sought to find out the influence of strategic management approaches on corporate performance at East African Breweries Limited. The study involved 132 respondents and was guided by specific objectives: To determine the influence of strategic out-sourcing and to evaluate the influence of strategic resource management in achieving corporate performance. Data was collected by use of a semi-structured questionnaire via a ‘drop and pick later’ data collection technique. Due to the data being qualitative and quantitative in nature, the study used content analysis, descriptive statistics; frequencies and percentages; and inferential statistics to show the relationship between the study and the variables. Data analyzed was presented in form of tables and figures for easy understanding of the results.

Keywords: strategic management, corporate performance, strategic-outsourcing, strategic resource management.
INTRODUCTION

Decisions concerning strategic management are that of an organization choosing to manage resources (Barney, 1991) in regards to the changes of an environment through a co-evolutionary process (Lewis & Volberda 1991) in achieving long term performance. Organizational performance remains a top priority. Today’s business irrespective of its size is affected by social change, pressures and events from around the world (Ofunya, 2013). This is as a result of the environmental dynamism and turbulence combined with constant and fast paced changes. Environmental dynamism is the degree of market variation and processes of product and technology development (Buganza, Dell ‘Era & Verganti). It’s the rate at which consumers’ preferences change unpredictably over time and lacks stability (Wijbenga & Witteloostuijn, 2007). The dynamisms in the environment have caused a lot of change in business processes rendered yester-years strategies irrelevant. This turbulent nature of business environment makes it important for organizations to adopt strategic management approaches to be alert to environmental turbulence. Surviving the turbulence means that companies have to step up and expand new market, have ‘eye catching’ products and prices while satisfying customers’ needs. Managers and executives of companies are in the constant plight of finding new tools and techniques to be unique to the competitive environment.

Hyper competitive business environment has pushed organizations to limits dictating the need to adopt strategic management approaches that support plans, choices and decisions that can result in success, profitability, wealth creation and competitive advantage. A competitive environment offer opportunities for business growth (Wiklund & Shepherd (2003). In this globalization era, strategic management has been considered as the most important practice which distinguishes organizations from each other. Sharabati and Fuqaha (2014) point out that organization, whatever they are, whatever they do, should have strategic management practices to ensure they fit within their environment. A turbulent environment requires that organization have strategies unique so as to survive the relentless changes it faces towards performance.

Afonina (2015) points out that numerous literature and findings have focused on the relationship between strategic planning and performance but only few studies look at the relations between strategic management approaches and performance. Indiatsu, Mwangi and Mandere (2014) on the other and argue that utilization of strategic management approaches influences organizational performance. On contrary, Efendioglu and Karabulut (2013) point out that there is no clear relationship between strategic management techniques and organizational performance. It is in view of this fact that this study puts an effort to fill gaps in the literature.

Problem Statement

Corporate performance is a sensation which must be attended to and managed well if organizations are to have long-term survival and thrive. Change in technology, quality of products and consumption rates and workforce demographics have had adverse effects in the product, processes and services. The culmination of these forces has resulted to unpredictability in organization performance and existence (Burnes 2004). Organizations nowadays are operating in a turbulent environment and as such are in the constant quest for measures that will assure them of progressive corporate performance (Dodds 2003). Corporate performance is unique to each organization. It is based on the idea that an organization will voluntary associate itself to that which it considers productive and has value creation (Alchain & Demsetz, 1972; Barney, 2002).

EABL is not exempted from this turbulence; A turbulent environment requires strategies that
solve the problems to specification (Drucker, 1974). In the aim to fully understand the stakes operations of a business, defining the market and business is important. Cook (2010) stated that there is need to modify processes and procedures in business in order to achieve corporate performance and stay ahead of competitive surroundings. EABL operates in a dynamic environment. It is faced with change in customer needs, change in technology, competition, and ecological changes that affect its objectives. Dynamicity in a business environment influences the need for rapid change due to unpredictable performance estimation (Rob, 2013).

Turbulent environment provides both challenges and opportunities in organizations. The success will depend on the organizations ability to adjust to the relevant environment (Wren & Bedeian 2009). Turbulence represents a process that alters the impact of the independent variables on the firm’s performance (Wang & Fang 2012); it also moderates the relationship between strategic management and a firm’s performance. It is in this view that this study sought to find the influence of strategic management approaches on corporate performance in EABL.

Specific Objectives of the Study

- To determine the influence of strategic outsourcing on corporate performance of East African Breweries Limited
- To evaluate the influence of strategic resources management on corporate performance of East African Breweries Limited

LITERATURE REVIEW

Theoretical Review

Theoretical review aims at understanding and incorporating distinct phenomena, which allow for complete understanding of the core aspects of events. Thus, a theory can be defined as a network of paradigms that are related to one another, aimed at establishing a relationship between two or more variables (Mahoney, 2004).

Resource Dependency Theory

Resource dependency theory came as a result of studying the composition of a board and how those that run an organization use their power and influence to manage their inter-organizational relations and dependence (Pettigrew, 1992). Having ‘roots’ from the open system theory, RDT states that organizations have an unpredictable dependence degree on the external environment particularly for the resources they require to operate. This unpredictability and dependence leads to the proactive management of the environment by an Organization (Pfeffer & Salancki 1978).

The purpose of the Dependency Theory can be said to explain the concept; a business relationship is that of exchange of resources with mutual dependency among the exchange partners. Thus, this means that the growth and survival of an organization would largely depend on the ability to secure critical resources from the external. (Pfeffer & Salancki 1978); The Resource Dependency Theory was developed by the American business theorist Jeffrey Pfeffer and the American organizational theorist Gerald R. Salancki in the year of 1978; who further added more information for the previous scholars; (Emerson 1962, Blau 1964 & Jacobs 1974). An assessment is done for the make-or a buy- decision that enables an organization to determine whether the in-need resources have few suppliers leading to dependency of the resources providers’. It is important also for the organization to determine whether there is necessity to outsource the said resources due uncertainty of the existence and supply. When an organization comes to the decision of outsourcing, it is critical that they choose a resource that has many suppliers and has no uncertainty. However, if the resource is scarce and only few suppliers have the access to it, it is important for organizations to come up with an alliance...
between the supplier (alliance partnership) guarded by policies and regulations that fit them both. The strategy management should assess the importance of the resource, comparing it to the financial implications on the organization and the availability of the suppliers. EABL employs the resource dependency theory as it depends on the external environment for resources whether tangible example maltings or/and intangible example skill. It outsources through careful scanning of the available suppliers in order to attain the best and not easily replicable resources for the production of their products. Resource Dependency Theory supports the study and the variable Strategic outsourcing.

**Resource Based View Theory**

Founded by Penrose (1959), it seeks to understand how competitive advantage is gained through exploitation of human asset. Penrose ascertained that it is the heterogeneity of resources that make each firm different from each other. The theory was later advanced by Barney (1991) who viewed resources as capabilities, processes, attributes, information and knowledge that a firm uses to achieve their strategic goals. It supports the concepts of resources in an organization (Wernerfelt, 1984). The theory suggests that a company makes profits and is able to sustain itself by using the resources in their possession. Barney (1991) states that resources are diverse in nature and they are imperfectly moveable. He also argued that firms that possess resources that are valuable, rare, inimitable and non-substitutable have the upper hand when trying to gain sustainable competitive advantage. RBV theory offers a firm a basis of competitive advantage primarily in the application of a bundle of valuable tangible (finance or physical) or intangible (knowledge, skills, procedures and policies, brand name and reputation) resources at the firm’s disposal (Kostopoulos, Spanos & Prastacos 2006).

A firm should be concerned with realizing how it can strategically fit in the environment (Porter, 1980). The exploitation of rare valuable resources in a firm is seen to be the main contributor to gaining a competitive advantage edge which in turn contributes to its performance (Newbert, 2008). Performance of a firm is determined by the resource that it has, which works for or against the firm in creating a sustainable competitive advantage (Hoffer & Schendel 1978). The basis of this theory is that competition of firms is done according to their resources and capabilities (Petraf, 1993).

When applying RBV to a business, one should identify the key resources that a firm has and its internal capabilities. In identifying these resources, it determines the difference in organizational performance within the same industry. For a firm to fully benefit, exploit and enjoy these resources it should be well organized. EABL has a well-organized structure to exploit these resources. It is with this that EABL ensures they are protected and harnessed in order to optimize organizational performance. The Resource Based Theory is a popular theory of performance providing a firm’s management the important task of identifying, developing and deploying key resources in order to maximize on returns. EABL uses this to its advantage in creating a competitive advantage against other firms in its environment.

**EMPIRICAL REVIEW**

**Strategic Out-sourcing and Corporate Performance**

The term outsourcing has gone through a historical evolution in its definition from different scholars. Brookes, Haines and Wachira (2016) define it as the moving of an organizations, responsibilities, decisions and internal activities to outside provider. It is the delegation of operations or/and jobs to a third party who can do it better, faster and cheaper (Tayauova 2012). Padron-Robaina and Rodriguez (2006) term it as the strategic decision that involves external contracting of business processes necessary for the
manufacture of goods and services guided by agreements or contracts with higher capability firms to undertake those activities with the aim of improving competitive advantage.

Strategic out-sourcing has seen a shift from the tactical and non-essentials activities like payroll, security to strategic business operations such as manufacturing and logistics that are deemed to be vital in the performance of the organization (Chung, Jackson & Laseter 2007). With the help of globalization, the service industry has drastically grown incorporated with technological advancements that have created a new business competitive environment.

This thus has resulted to a buyer-supplier relationship/partnership which has increased performance and management capabilities (Lahiri, Kedia & Mukherjee, 2012). The close relationship between the buyer and supplier is seen to have the sharing of rewards and risk. For the buyer, it reduces the risk of having to spend a lot of money in buying its own products example transportation and services like security, and maintenance bit of it. This is done through an agreed upon contract. Organizations that rely on quality partnership with their suppliers are seen to be better prepared to adapt to unforeseen changes. They become in a better position of identifying and producing better solutions in the organization.

**Strategic Resource Management and Corporate Performance**

Resources allow a business to achieve strategic goals and therefore generate sustainable competitive advantage which in turn has an effect on the performance of the organization (Hutchison-Krupat & Kavadias, 2012). Resources in an organization include human resource, financial resource and physical resource. Resources permit an organization to execute their strategy. They include core competencies, financial resources and assets, systems, employees, critical raw materials, intellectual property, positioning, and related assets that support their value chain. Hutchison-Krupat and Kavadias (2012) argues that when senior managers make the critical decision of whether to assign resources to a strategic initiative, they have less precise initiative-specific information than managers who execute such initiatives.

Musyoka (2014) argues resource management exercise in the organization is a core determinant of corporate performance. In the strategic resource allocations process, a firm embarks on resource planning and management to determining what resources such as materials, human capital and equipment are needed and the required quantities of each resource needed to implement various strategies successfully.

Hanin and Dania (2014) investigated efficient and strategic resource management for sustainable development. They recommend that resources should be managed and allocated according to priorities and objectives concept, objectives that are predetermined and integrated with a holistic vision. A review of the work of Choti (2016) on the effect of Strategic Planning on Performance of Healthcare Institution in Kenya revealed that strategic resource management affects performance and aids in understanding the functioning of a system while bringing to surface underutilized and unexploited potential areas in an organization.

**Conceptual Framework**

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic outsourcing</td>
<td>Corporate Performance</td>
</tr>
<tr>
<td>Service outsourcing</td>
<td>• Market share</td>
</tr>
<tr>
<td>Raw materials</td>
<td>• Profitability</td>
</tr>
<tr>
<td>Production Facilities</td>
<td>• Growth</td>
</tr>
<tr>
<td>Strategic Resource Management</td>
<td></td>
</tr>
<tr>
<td>• Financial resources</td>
<td></td>
</tr>
<tr>
<td>• Human Capital</td>
<td></td>
</tr>
<tr>
<td>• Physical Facilities</td>
<td></td>
</tr>
</tbody>
</table>

**Figure 1: Conceptual Framework**

Source (Author 2018)
METHODOLOGY

The study employed a case study design. Kothari (2004) considers a case study design as a well-founded authoritative procedure that enables one to have in-depth knowledge regarding the phenomenon being studied. Data was collected by the aid of a semi-structured questionnaire that gave detailed assessment about the study. Below is a qualitative analysis of data obtained;

Table 1: Qualitative Analysis of Data

<table>
<thead>
<tr>
<th>Theme</th>
<th>Statement by Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Outsourcing</td>
<td></td>
</tr>
<tr>
<td>Service Outsourcing</td>
<td>There is access to more qualified expertise at a lower cost</td>
</tr>
<tr>
<td>Raw Materials</td>
<td>Optimal utilization of raw materials in operations of firms</td>
</tr>
<tr>
<td>Influence of production facilities on corporate performance</td>
<td>Efficiency in production process ensures reduction of incidences and accidents at the work place and thus reduction in cost litigation. Production reorganization at EABL. Strategic outsourcing allowed for reinvestment of resources over and above the amount paid to the outsource firm and the budgeted figures</td>
</tr>
<tr>
<td>Influence of financial resources on corporate performance</td>
<td>Optimized financial resource utilization</td>
</tr>
<tr>
<td>Influence of Human capital on corporate performance</td>
<td>Allocation of human resources according to priorities and objectives</td>
</tr>
<tr>
<td>Influence of physical facilities on corporate performance</td>
<td>There is optimal use of production facilities in production of quality products.</td>
</tr>
</tbody>
</table>

RESEARCH FINDINGS

Out of the total population of 1700 employees, the target population was 440 respondents with a sample size of 132 respondents and a response rate of 105 questionnaires that were duly filled and returned. The response rate represented 79.5% which is in accordance to Babbie (2010) who posits that a response rate of 70% and above suffices for analysis. Corporate performance had a Cronbach’s Alpha coefficient of 0.873, strategic outsourcing 0.739 and strategic resource management 0.881. Cronbach (1951) states that an alpha coefficient of 0.7 and above is deemed to represent reliable information.

Results of the research were based structured questions/statements that were established on a Five-Point Likert scale of 1-5 where; Agree (SA)=5, Agree (A)=4, Not Certain (NC)=3, Disagree(D)=2 and Strongly Disagree (SD)=1. The following is a summary of the findings of the variable; corporate performance, strategic outsourcing and strategic resource management.
Corporate Performance

Table 2: Corporate Performance

<table>
<thead>
<tr>
<th>Corporate Performance</th>
<th>N</th>
<th>Min</th>
<th>max</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The firm’s market share has increased geographically</td>
<td>105</td>
<td>1</td>
<td>5</td>
<td>2.42</td>
<td>0.617</td>
</tr>
<tr>
<td>The firm’s sales have been growing steadily</td>
<td>105</td>
<td>1</td>
<td>5</td>
<td>2.86</td>
<td>0.683</td>
</tr>
<tr>
<td>The firm’s corporate performance has steadily increased</td>
<td>105</td>
<td>1</td>
<td>5</td>
<td>3.92</td>
<td>0.84</td>
</tr>
<tr>
<td>The firm has experienced growth in coming up with diverse products</td>
<td>105</td>
<td>1</td>
<td>5</td>
<td>3.67</td>
<td>0.849</td>
</tr>
<tr>
<td>The firm has experienced growth in employee numbers</td>
<td>105</td>
<td>1</td>
<td>5</td>
<td>4.33</td>
<td>0.957</td>
</tr>
<tr>
<td>The firm has experienced growth in increase of branches</td>
<td>105</td>
<td>1</td>
<td>5</td>
<td>4.2</td>
<td>1.100</td>
</tr>
<tr>
<td>Aggregate Score</td>
<td></td>
<td></td>
<td></td>
<td>3.567</td>
<td>0.841</td>
</tr>
</tbody>
</table>

Source: Research Data (2018)

From the above findings, the most significant factors of corporate performance of EABL that was greatly affected by strategic management approaches included number of employees, branches and diversified products. This thus is in line with Kantor (2001) who stipulated that performance in a firm is indicated by the market share, stakeholder satisfaction, profitability, growth, competition position and productivity.

Strategic Outsourcing

Table 3: Strategic Outsourcing

<table>
<thead>
<tr>
<th>Strategic Outsourcing</th>
<th>N</th>
<th>Min</th>
<th>max</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficient service outsourcing leads to good performance</td>
<td>105</td>
<td>1</td>
<td>5</td>
<td>3.62</td>
<td>0.801</td>
</tr>
<tr>
<td>Outsourcing raw materials ensures best quality in final products</td>
<td>105</td>
<td>1</td>
<td>5</td>
<td>3.51</td>
<td>0.755</td>
</tr>
<tr>
<td>Outsourcing helps cut cost for the firm</td>
<td>105</td>
<td>1</td>
<td>5</td>
<td>4.25</td>
<td>0.808</td>
</tr>
<tr>
<td>Productions facilities are well maintained</td>
<td>105</td>
<td>1</td>
<td>5</td>
<td>4.29</td>
<td>0.897</td>
</tr>
<tr>
<td>Production facilities are as per the number of employees</td>
<td>105</td>
<td>1</td>
<td>5</td>
<td>3.91</td>
<td>1.29</td>
</tr>
<tr>
<td>Aggregate Score</td>
<td></td>
<td></td>
<td></td>
<td>3.916</td>
<td>0.910</td>
</tr>
</tbody>
</table>

Source: Research Data (2018)

Based on the above findings, strategic outsourcing affected corporate performance of EABL by proper maintenance of facilities and cutting down costs. The findings are in line with Franceschini, Galetto, Pignatelli and Varetto (2003) who established that cost efficiency and production re-organization are considered to be the major drivers of strategic outsourcing. This thus shows that strategic outsourcing played as an important lever in achieving corporate performance of EABL; and managements’ need to recognize the strategic value it plays in the organization and should be handled correctly for its metric value.
In line with these findings above, strategic resource management affected corporate performance of EABL by ensuring regular checks and availing skilled and equipped staffs across major departments. These findings are in tandem with Musyoka (2014) who acknowledged that the most important resource of an organization is its people hence the need to be appropriate and have adequate human capital with goodwill to the strategy formulation and implementation.

CONCLUSION AND RECOMMENDATION

On determining the influence of strategic outsourcing on corporate performance of EABL; Outsourcing significantly influenced corporate performance. Outsourced productions facilities were well maintained. Outsourcing helped cut cost for the firm. Production facilities were as per the number of employees. Since outsourcing is done by top level management, the findings are supported by the Resource Dependency Theory, which came as a result of studying the composition of a board and how those that run an organization use their power and influence to manage their inter-organizational relations and dependence.

On evaluating the influence of strategic resource management on corporate performance, there was a strong positive relationship with firm having proper management to avoid wastage. There was regular check-up and maintenance of physical facilities. All departments in the firm had well skilled and equipped employees. Physical facilities; office spacing that factors in mobility, partitioning, windows and air conditioning; serve the intended function and are well maintained.

Recommendations

Based on these findings, strategically outsourcing raw materials ensured best quality in final products and efficient service outsourcing led to good performance; the study recommends other firms in the brewing industries to adopt strategic out sourcing by fully adopting and implementing it and factor in strengthening the relationship between the suppliers through policy formulation that protects parties from potential risks, operational risks and strategic risks.

Strategic resource management was identified as a critical factor affecting corporate
performance. Based on this finding, the study recommends those organizations in the brewing industries and other organizations to strengthen their Human resource component. This could be done through ensuring adequate number of skilled staffs, equal distribution of financial resources across departments of production as some sections in the firm had less financial support compared to others. Managers should have clear communication in the organization so as to have a smooth relationship between them and employees. Top management should employ more resources in terms financial resources, more physical facilities and human resource so as to enhance performance.

REFERENCES


Rob, A. (2013) what is meant by market turbulence and why does it happen, and Examples of supply chains that exhibit this phenomenon.


