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Corporate Strategy, Networking and Firm Performance in Africa

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Modern global business environment has experienced a paradigm shift from Multi-polarity to Multilateralism, hence forcing companies in Africa to pay more attention on emerging networks in an endeavor to architect strategies for improved performance. These changes include implementation of enterprise strategies and inter-organization alliances and networks, which allows for healthy competition and enterprise performance in both private and public ventures. However, there exists a marked lack of appreciation of the vital linkages of corporate strategy, networking and corporate performance. This article surveys literature on major efforts undertaken by organizations and nations to establish a relevant conceptual framework and methodology in a detailed view point. A synopsis of related literature and past studies in this area have linked networking with performance but with scantly researched proof on the connections between strategy, partnerships and triumph in organizational performance. The paper concludes that networking is vital for ensuring effective implementation of corporate strategy for higher performance.

Keywords*: Corporate Strategy, Networking, Firm Performance*

JEL Classification*: M10, M20*

1. Introduction

Today's change in the dissemination of world's income in favour of transitional and developing nations has compelled business executive's to confront a reality based check on networks in execution of corporate approaches to accomplish improvements in performance (African Business, 2009; Deloitte Report, 2017). If a well-executed corporate strategy exists, an organization will have limited or no challenge in managing external variations (Davis, 2007; Ilori, 2015, pp.43-49). Research on integrations suggest that business network ties enable collaborative work and allow exchange of ideas, information and knowledge among firms of such trade linkages (Fliaster and Spiess, 2008). This development could be realized when African firms make collaborations with other firm's indispensable circumstances for sustained accomplishments in the emerging global order.

In a comprehensive sense, factors are said to be strategic if they stand chief to creation and utilisation of potentials for success or significant stimulation on inventiveness progress (Grant, 2002). Competition is so

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intense that global market information is unavailable or obsolete, strategic opportunities open and shut quickly and the cost of blunder involuntarily exist (Davis, 2007; Machuki and Aosa, 2011). Company's development of strong ties will mobilize knowledge and reduce the direct operational expenses but increase indirect dealings costs when contrasted to weaker ties (Fliaster and Spiess, 2008). Corporations succeed through regional integrations and virtual establishments that are held together, not through formal structure and physical vicinity of people, but by partnership, alliances and networking (Johnson and Scholes, 2005; Santos and Eisenhardt, 2009, pp.643-671). The prevailing turbulence in international trade beyond the established Atlantic jurisdictions and Japan compels African companies to look east and forge collaborations with Asian superpowers.

Firm Performance is the most examined conclusion and shared denominator across multinational ventures (Ongeti, 2014). Majority of the studies in social sciences conceptualize performance as a dependent concept and pursue to identify variables that explains disparities in performance (March and Sutton, 1997). However, it continues to be a contentious subject among researchers in company control in terms of both definition and measurement (Chakravathy, 1986), as there exist contrasting descriptions and conceptualizations of commercial performance by various scholars and scholar as sampled below. Corporate performance elasticity is influence by business leader's larger networks with strong ties and capabilities on the magnitude of strategic flexibility (Fernandez-Perez et al., 2012, pp. 777-812). The paper focused on international networking order and strategy for the maintenance of systems for Africa prosperity.

Corporate strategy is the course and latitude of a corporation completed in the long-term and directed towards attainment of an economical superiority (Johnson and Scholes, 2005). Implementation of firm-level strategy entails configuration of capabilities inside the existing surrounding, realise the desires of the world market and to achieve stakeholder expectations (Aosa, et al., 2012, pp.25-41). Daft (2000) describes firm performance as the company's capability in realising its goals productivity with a cluster of available resources.

Corporate strategy solves trade appeal and coalesce methods a corporation employs to manage an assemblage of entities collectively (Grant, 2002). One important function of a company strategy is to discover the sector inside which the commercial units of the enterprise compete in and allocate firm resources to the division (Bowman and Helfat, 2001, pp.1-23). The application of network strategy therefore concerns the inter-organization aspects in which it associates with other multinational companies. According to Baraldi (2008, pp.99-126), a network strategy comprises of physical and a blend of resources that interact with inter-company routines and joint projects. The variable of corporate strategy is operationalized along diversification, outsourcing, restructuring, strategic alliance, product and market development.

International collaborations and the variable of networks have various definitions in literature. Network could be identified as an explicit set of connections among defined or different actors (Gulati, 1998, pp.319-417; Ireland et al., 2001, pp. 49-64). Therefore, networks could be implicit as the acquaintances and interfaces amid individuals, groups, organizations. The linkages can be established through different methods, which includes strategic alliances, shared projects, accreditation provisions, sub-contracting, joint research and marketing activities (Groen, 2005, pp. 69-88).Players in a social web can be persons, groups and collection of organizations. Individual relations is defined as the administration of linkages and coalitions that the person has with other actors in the society (Dubini and Aldrich, 1991, pp. 305-313). An organization partnership is a deliberate alliance among two or extra ventures that participate in durable exchange, inter-dependent and sharing co-development of fresh goods and technology (Hakansson, 1989; Groen, 2005).

Firm performance is a continuous practice and a controversial issue among corporate researchers and a part from being an avenue to establish an executive problem; it's also applied to define the elucidation to the said problem (Hefferman and Flood, 2000). Nonetheless, a good corporate strategy has to satisfy what the continent requires to perform and stay in business today and in the imminent future by systematically framing the available proficiencies based on intelligence, scale, customers, culture and time (Arther and Thompson, 2004). Strategies for African organizations should emphasis on innovative processing, value addition and expanding export markets.

The theories that anchored this paper were the resource-based view approach (Wernerfelt, 1984, pp. 17-180) and the stakeholders approach (Hubbard et al., 2009, pp. 18-27).The resource based-view (RBV) which is synonymous with the prepositions of (Ansoff and MacDonnell, 1990; Ansoff and Sullivan, 1993) who hold that companies and surroundings are dependent and serving and to persist viability they must adopt or create a fit to their environment. This approach views corporate performance as the degree of a concern capacity in figuring a strategic fit between its interior and exterior environment (Arther and Thompson, 2004). Performance enhancement of state corporations in Africa has been one of the key issues being grappled by each and every subsequent government.

Hubbard (2009) opined that measurement of performance has evolved with time from financial measures (March and Sutton, 1997) which focused exclusively on shareholders to stakeholders based approaches including Strategic Balanced Score Card (SBSC) (Kaplan and Norton, 1992) and Tribble Bottom Line (TBL) approach. This is despite there being a consensus among scholars that firm performance measures which focused on shareholders are still valid and relevant (Richard, et al., 2009, pp. 718-804). Nonetheless, this requires to be enhanced to include intangible and externally oriented measures (Kinuu, 2014).Though it's argued that profitability, sales growth and return on Assets (ROA) are the most preferred accounting- based measures of commercial performance. The paper recommends adoption of SBSC measures of organizational performance which include financial, customer, operational excellence and learning and development.

Africa is so diverse and vast geographical location, emerging markets, poor connectivity, minimal regional integration and scarcity of skilled people and knowledge networks makes the continent exiting for doing world trade(Deloitte Report, 2017).At the company level, the African mainland is witnessing the enlargement of an African entrepreneurial class (Olomi, 2009). These entrepreneurs are establishing micro and macro trades swiftly and even competing constructively with the large-scale reputable firms, discovering innovative solutions to organizational difficulties (Olomi, 2009; Maina, et al, 2016, pp.258-272).During the earlier three decades, the mainstream of African states grew speedily, providing impetus for the widespread Africa escalating narrative (Deloitte Report, 2017).The dawn of domestic leaders and international African companies are changing the trading global landscape (African Business, 2009).Nevertheless, it is particularly noted that the function of a combination of strategic component and networking is usually ignored in most of the African enterprises.

2. Literature Review

2.1. The Resource Based View and Stakeholder Theory

2.1.1. The Resource Based View

The Resource-Based View (RBV) has pinched the centre of scholars and managers more than any other academic paradigm in the speciality of strategic management. This is evident in variant of the theory, such as dynamic capabilities (Tecee, et al., 1997, pp. 509-533), the knowledge-based view (Kogut and Zander, 1992, pp. 383-397) and the relational view (Dyer and Singh, 2001). The theory aims to elucidate enterprise performance from the company's inner capabilities for continued competitive gain such as company assets and competencies (Zollo and winter, 2002, pp. 339-351; Jeroen, et al., 2009, pp.349-372). Its imputed logic is that if a firm has to record a superior productivity and weather it over time, it must acquire valuable, rare and inimitable and non-substitutable (VIRIN) resources (Barney, 1991; Tecee et al., 1997).The constructs of corporate strategy depicted as the independent variable in Figure 4.1 and networking which is conceptualized as the moderating variable are anchored on RBV.

2.1.2. Stakeholder Theory

Stakeholder theory (Freeman et al., 2004) has been proposed and argued in governance investigations on the foundation of its descriptive precision and instrumental power in explaining corporate behaviour. Stakeholder's concept is rooted on the definition of corporation as grouping of stakeholders. From the stakeholder viewpoint, the mission of an enterprise is to manage interests of its investors (Freeman et al., 2004, pp. 364-379). The managers are thought of as the agents who should supervise the business for the worth of its shareholders and safeguard the being of the establishment to protect long-term stakes of every stakeholder (Freeman, 1984). Firm Performance which is the dependent variable is anchored on this theory.

2.1.2. Corporate Strategy and Firm Performance

Corporate strategy is involved with the overall drive and latitude of the venture to accomplish stakeholder's expectations (Johnson and Scholes, 2005). Strategy is about making choices (Porter, 1980). It is a technique that guarantees a long-lasting competitive edge by investing the resources needed to develop key capabilities leading to the long-term superior performance (Lin, et al., 2014; Muteshi, et al., 2018, pp.19-29). This is a critical stage as it is deeply swayed by financiers in the trade and performs as a director to strategic choices all along the commerce for performance improvement.

Corporate strategy execution for African entities is fundamental in guaranteeing a continued good income growth and only those companies that exercise some custom of strategic planning will survive (Ilori, 2015, pp. 43-49). A well-conceived strategy position allows a company to confront the competitive forces existing in the environment. A firm-level strategy must deal with industry forces like potential competitors, consumers and merchant's behaviour and product/service substitute as envisaged in Porter's (2008) five forces analysis as a variation in any of the forces usually entails a trading unit to re-analyse the world market specified in the general alterations in the industry information. A corporate strategy that allows it respond to, predict and dictate these environmental forces lead to high performance (Mintzberg, et. al. 2005, pp.11-24; Porter, 2008).

The constituency approach (Thompson, 1967) which was later amplified to stakeholders approach (Hubbard, 1984; Freeman et al., 2004, pp.364-369) view conditions as existing to serve its numerous constituents or stakeholders who are equally inside and outside to the corporations. From this perspective enterprise performance is viewed as the magnitude to which it satisfies its stakeholders. Dess and Robinson (1984, pp.313-330) contents that national growth is a complex and manifested phenomena which carries on to draw considerable contests in respect to conceptualization measurement.Overall quality decisions by senior strategic team which consists of actions commenced on determination of the origin of operational challenges, generation of choices to ease the difficulty and taking an integrated final decision are supreme to the total performance (Awino, 2013, pp.113-123).

In present's competitive environment, companies cannot depend only on internally managed capabilities to chase advantage creating and enhancing strategies (Giudici, 2013). They must co-operate with other organisations to acquire contact to information, skills, expertise, assets, and technologies and thus leverage their internal capabilities. Different strategic tendencies create varied needs, motivations and prospects for collaborations with other world market participants such as competitors, distributors, suppliers and clientele (Porter, 2008). Thus, corporate strategies in firms should recognizable patterns of networking behaviour, which in turn breeds anticipated forms of network structure (Giudici, 2013; Gathungu, et al., 2014, pp.335-357).

3. Empirical Literature Review - Corporate Strategy, Networking and Firm Performance

Porter (1980) acknowledged the advantages firms derive from formulating competitive strategy appropriate to register a superior performance. Strategies that may amend the industry rules in the organizations favor. Nevertheless, in Porters (1980) works, the bases of earnings need not to be enshrined in the company but rather in the edifice of the sector, specifically the landscape and equilibrium of its competitive forces (Schemaker, 1990, pp. 1178-1192). Muteshi, et al., 2018, pp.19-29) argued that firm capabilities have a significant effect on the relationship between firm-level strategy and performance. However, these studies did not ponder on the bearing of strategic networking as an element of competitive edge and overall performance.

A plethora of studies have proved that network linkages could be a basis of attaining an advanced point of corporate productivity but still little devotion is given by enterprises on this area. The achievement of a corporation hinges on its alliance with other entities that stimulate the formulation and distribution of its goods or services (Valkokari and Helander, 2007, pp. 597-608; Li et al., 2009). The construction process of networks is tentative and encompasses socio-psychological traits (Valkokari and Helander, 2007; Sirec and Bradac, 2009, pp.59-66p.). Networks of establishments are especially based on personal associations, where the corporation's linkages overlap with the national networks (Beggieros, 2001, pp.20-222). Toil for firms is on how to use these global integrations in an applicable way and to increase earnings for organizations within these networks. The paper adopted networking operationalization of (Hakanssons and Snehota, 1995) which contains actors (firms), activities (process and systems) and resources (assets). Hence, African initiatives should exploit on their separate government linkages locally and internationally to realize high performance.

A firm's ability to persistently outperform rivals depends on the advantageous access to external information and resources uniquely held by other participants (Sirec and Bradac, 2009, pp. 59-66; Kuratko, 2007, pp. 162-182; Gathungu, et al., 2014, pp.335-357). Companies which take time to define the cause of productivity snags have a superior creativity, innovation and automation (Awino, 2013, pp. 113-123). Many new and good ideas are created in networks of heterogeneous companies (Wikland and Shephard, 2005, pp. 71-91.; Giudici, 2013), increasing firm's entrepreneurial opportunities. Through diverse linkages, a venture can obtain valuable and specialized knowledge, capabilities and competences necessary for formulation of company strategy (Lin, Tsai, and Wu, 2014). This advantage from networking can in turn enable firms to be more innovative, risk-taking and implement proactive corporate strategies.

Maina et al (2016, pp.258-272) argued that network structure, governance and content have a positive and significant relationship on firm performance. Network competence has a positive, but weak and insignificant, correlation with firm performance (Walter, Auer and Ritter, 2005). Therefore, the development, maintenance and growth of firm-level capabilities and proficiencies can only make sense if they contribute to enterprise performance (Hooley et al., 2005, pp.18-27). Development of network capabilities in Africa needs to be the focus of managerial attention if the firm seeks to enhance success in its corporate strategy.

The success or growth of organizations in Africa is crucial to the continent's economic prosperity and to full potential realization of its wealth and engagement (Ilori, 2015, pp.43-49). Nowadays, there hardly exist a single trade that rests unaffected by growth of network connections within and among firms. Company's knowledge and network administration could be a puzzling job as their features hamper the strategies desired inside the establishment, appropriate to produce novel opportunities.

4. Conclusion and Recommendations

There is evidence from literature indicating that networking has a noteworthy effect on corporate strategy and performance relationships of establishments in Africa. Corporate strategy execution for venture success stands to be broadly studied in the arena of management with diverse conceptual and contextual frameworks (Porter, 1980; Mintzberg et al., 2005). Though appreciated as a factor of corporation performance, there is scanty information on how networking affects strategy and performance connections (Giudici, 2013; Lin, et al., 2014; Gathungu, et al., 2014; Ilori, 2015). According to literature review, Networking is a critical factor that determines firm's performance while long-term supremacy should be incorporated as the sixth dynamism to (Porter's, 1980) five forces firm model of environmental analysis. Hence, the researchers argue to develop competitiveness in a globalized economy and emergence of trading blocs worldwide; African entrepreneurs must implement corporate strategies that foster their domestic and multinational networks for performance improvement.

For African multinational companies, it's paramount to consider moving to the East and form economic integrations with transitional nations like China, Japan and India. This will guarantee growth in domestic markets owing to improved geographical and enterprise advantages and government-stimulated push factors. Considering these new opportunities, African enterprises should strive to capitalize on them by executing integrated corporate strategies and forming networks that will cater for the growing markets. The novel forms of business environments with advanced infrastructure and institutions, firms should move from predominantly import-substituting networks to value addition collaborations aimed at enhancing domestic, trading bloc and worldwide marketplaces.

On a theoretical perception, the inquired evidence on corporate strategy over and above theories of the firm has mainly concentrated on firm-level strategy and performance while ignoring the variable of networking. On policy making perspective, the present paper represents a helpful response when making decisions between providing African governments support to corporation's vs privatization, to which the magnitude ventures creation should be promoted vs development of prevailing firms and how such financing should be molded to yield maximum earnings to the firm.

4.1. Conceptual Model

The recommended conceptual framework has been structured from a crew of broad ideas and theories that help in understanding corporate strategy, partnerships and performance relationships. The study seized keen interest of these propositions and thus offered a comprehensive conceptual model in Figure 4.1 that is used in linking up the various constructs of the study.

The conceptual framework in Figure 4.1 has been advanced using the theoretical arguments and knowledge gaps identified from the empirical studies which looked at the linkages of the study variables (Hakanssons and Snehota, 1995; Groen, 2005; Gathungu, et al., 2014; Lin, et al., 2014; Ilori, 2015). The influence of corporate strategy is conceptualized as the (independent variable) on firm performance (dependent variable) to be studied by testing $H_{1.}$ The moderation effect of networking on the connections among corporate strategy and performance to be analysed using H_2.

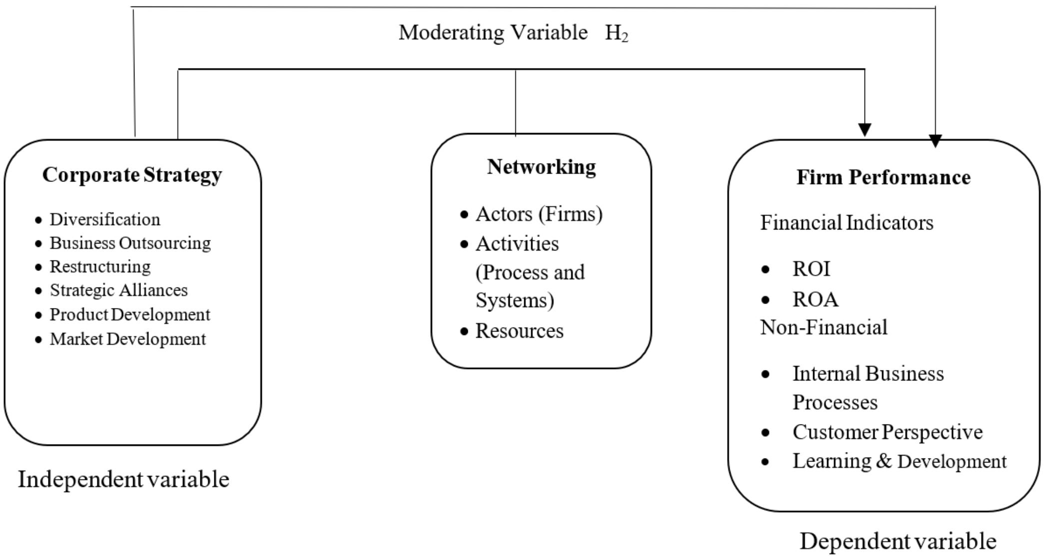

Figure 1. *Conceptual Model*

4.2. Area of Future Studies

This paper should serve as stimulus for further assessment to explore all the possible factors that influence findings related to corporate strategy, networking and performance in specific industries in Africa. Further, future scholar should investigate an extended model, which incorporates the domain of external surroundings, innovation, or corporate governance over and above the presented concepts that inspire performance. It is essential nevertheless, for this further research to be systematic and continuous with the target of advancement of future knowledge on factors that support enterprise performance in the African context.

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