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The Effect of Corporate Operational Strategy on Financial Performance of Telecommunication Company in Rwanda

Intwaza Y. A.
Student, Department is Business Administration / Strategic Management,
Jomo Kenyatta University of Agriculture and Technology, Kenya
Dr. Mulyungi P.
Lecturer, Department is Business Administration / Strategic Management,
Jomo Kenyatta University of Agriculture and Technology, Kenya

Abstract:
Corporate operational strategy have been driving performance of most corporate organisations around the world but however, despite the intensive use of competitive strategy to gain competitive advantage, some corporate companies both have continued to exhibit poor performance in form of profitability and return on investment(Chen, 2013),especially in developing countries where Rwanda is part. The research to assess the effect of corporate operational strategy on financial performance of MTN Rwanda was design based on qualitative and quantitative approach (Creswell, 2012). The target population was 74 and Primary data was obtained by use of a closed ended questionnaire while secondary information was obtained through review of reports and financial statements. The data obtained was processed by use computer based SPSS software program and analyzed by use a multivariate regression analysis to determine the relationship between the dependent and the independent variables. The findings show that MTN Rwanda use Corporate Operational strategy to maintain profit of MTN-Rwanda. Components of Corporate Operational strategy which include Product differentiation strategy, cost leadership strategy, Product innovation strategy and Promotion & advertisement strategy. The results indicate that Corporate Operational strategy has a relationship with financial performance of MTN-Rwanda. This means that there is positive relationship between Corporate Operational strategy, (83.2%), and financial performance of MTN-Rwanda. The figure of ratio shows that ROE & ROA are positively related to the operation strategy of MTN-Rwanda. MTN-Rwanda should elaborate tools for monitoring and evaluations of the effectiveness of the different corporate strategies.

Keywords: *Corporate strategy, corporate company, corporate operational, operational strategy, financial performance, return on assert, return on equity, return on capital, telecommunication, MTN, Rwanda, product differentiation, cost leadership, product innovation, promotion and advertisement*

1. Introduction

Around the word corporate organization performance have identified corporate operational strategies as their key driver in all area of financials indicator success. Statistics published by Harvard Business Review (2015) revealed that around 85% to 90% of corporate companies are unable to implement their strategies but on other hand an increase of revenue between 80% and 120% are noticed in period of three year for those who succeed in implementing them. Among them 10% realized two thirds of their corporate strategic plans, also 36% realized between 51%-68% and 55% achieving less than 49% (Harvard Business Review, 2015).

Report published by Rwanda Development Board revealed that foreign investments worth $463.0 Million were invested in the year 2018, with 17.9% in ICT sector (RDB, 2019). Having corporate structure working in new environment with operational decisions to conduct their business, the Rwanda telecom industry is held by multinational corporate companies only, MTN Rwanda, TIGO, AIRTEL, KTR and RWANDATEL, respectively subsidiary of NTN Group, Millicom, Bharti AIRTEL, Korea Telecom and Liquid Telecom (RURA, 2018). MTN Rwanda one of the 22 subsidiaries of MTN groups; South African Corporate company follow the same rule as everywhere in the world; by making operational decisions to embrace corporate strategy. MTN group corporate strategy is to; Create and managing stakeholder value, create a distinct customer experience, drive sustainable growth and transforming operating model.

Poor performance, of some multinational corporate company in developing countries and Rwanda among them continue to be exhibited in terms of low return on investigate and return on equity, Even though the benefits and awareness of the use of competitive strategy to attain fully competitive advantage is known all over the world(Janice et al, 2014).
A continuous rapid competition grows and inflexible pressure in telecom industry, are a big challenge for corporate

subsidiaries for day to day decisions because most of them depend on parent company approval as some could create conflict with corporate Operational strategy (Eillen and Douglas, 2013). In other case it can compromise others subsidiary profitability, return on equity and return on investment. On Rwanda telecom market, it has not established if there is effects of corporate operational strategies to the financial performance of telecommunication companies, in this perspective, the researcher found interest on this problem and made contribution in this area and examined the effect of corporate operational strategy on financial performance of Telecommunication companies in Rwanda by taking MTN-Rwanda as a case study.

2. Literature Review

2.1. Corporate Operational Strategy Theory

According to Slack and Lewis (2011) corporate strategy is concerned with the overall scope of an organization and how value will be added to the various parts of the organization. This includes issues of geographical coverage, diversity of products, services or business units, and how resources are to be allocated between the different parts of the organization. Moreover, corporate successful strategies depend to the large extent on decisions which are taken, or activities which occur at the subsidiary level. Daniel (2014)assert that subsidiary has to satisfy the requirements of the market if their enterprise has to survive in the long term. The clarity of corporate level strategy is important; it is a basis of other strategic decisions. Corporate strategy defines the specific businesses in which the firm will compete and the way in which resources are acquired and allocated among these various businesses (Sarason and Tegarden, 2013). In general, corporate strategies are the primary concerning to the expectations of owners, the shareholders and the stock market. It may well take form in an explicit or implicit statement of mission and vision that reflects such expectations. McAdamand Bailie (2012), state that a Mission statement defines the company business, its objectives and its approach to reach those objectives while a Vision statement describes the desired future position of the company. Combination elements of Mission and Vision Statements are combined to provide a statement of the company purposes, goals and values. However, sometimes the two terms are used interchangeably. Mission and vision both relate to an organization purpose and are typically communicated in some written form. Mission and vision are statements from the organization that answer questions about who we are, what we value, and where we're going (Stefan, 2014).

Operational strategy is the set of decisions concerned with how operational configure and change their overall capacity in order to achieve a particular level of output potential (Gerry et al 2014). Donald (2016), assert that operational strategy is the total pattern of decisions that shape the long-term capabilities of any type of operational and their contribution to overall strategy, through the reconciliation of market requirements with operational resources. An operational capacity dictates its potential level of productive activity, which is the maximum level of value added activity over a period of time that the operation can achieve under normal condition (Olivier, 2015).

2.2. Conceptual Framework

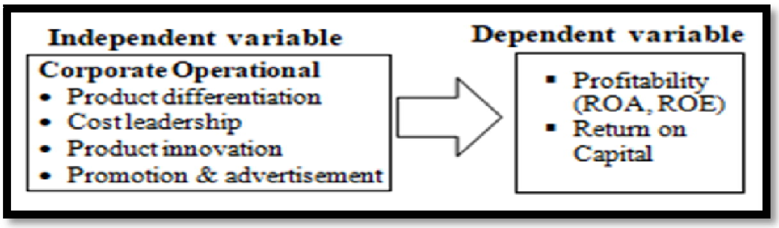

Figure 1: Conceptual Framework

Operational strategy is the development of a long times of the main company resources with a high degree of compatibility between resources and the company's long-term corporate strategy (Slack 2011). For an operational strategy to be successful the customer 's needs and expectations must be understood and ways to achieve them should be put in place. Miller and Roth's (2014) classification of industrial strategy combines and organize competitive patterns. The development is in three processes which start with marketing strategy, follow by custodian's strategy and Innovation strategy. The marketing strategy deals with quality process, time, process reliability and quality of product, while custodian strategy efforts are in low price with product quality, operation effectiveness and deliverability, lastly Innovation strategy deals with product differentiation and uniqueness.

A survey conducted on some Chief Executive Officers in USA shows that even it obviously appears that making profit is the purposes intention of any commercial company it is not enough. Rather it shows ranked fifth as they did not place strong and consistent profit as their top priority (Christer, 2016). Instead they regarded a strong, well structured, strong and thought strategy as the utmost important ingredient to make a company bright future. Indeed, the survey stressed out that Thomas Watson IBM chairman explained that leaders should remember that company success and capacity to grow can degenerate at any time as someone who has witnessed that situation (David, 2013).

For example, a successful brand well known worldwide with good financial performance Levi Strauss, in the 1990s started not performing well and seriously had bigger financial problem in 1997 as a result of mistake and ineffective strategy. This was exploited by Gap and Tommy Hilfiger its closest rivals. Xerox, a well know brand as photocopy machine maker in 1980s also lost out to its competitors for lack of focus and foresight (Business Week, 2015). Being able to achieve acceptable financial performance results is vital because without adequate profitability and financial strength, a company's pursuit of strategic vision, long term health and ultimate survival is jeopardized. Shareholders, potential investors and lenders will hesitate to advance more money. On the other hand, good financial performance alone is not enough in itself. The question as to whether organizations that practice operational planning do better in terms of their performance (financial and non-financial) challenged many management schools, authors, consultants and organizations to carry researches and investigate the effect of strategic planning on company performance. Some related studies are now discussed. Research or studies into the impact of operational strategy on company's performance have mostly focused on the quantitative financial aspects (John, 2016). This border on Return on Investments (ROI), Profitability Ratios (PR), Liquidity Ratios (LR), Shareholders‟ Return Ratios (SRR) and Activity Ratios (AR). Again, most of the studies were done in the United States of America (USA) and Britain on American and British firms.

3. Methodology

The study was used descriptive design basing on both qualitative and quantitative approach. A quantitative approach is linked to deductive method of testing theories while qualitative approach is characterized with inductive testing (Creswell, 2012). The study focused more on the qualitative approach but in some instances, quantitative approach was employed in order to get better understanding and more insightful interpretation of the results. For this study, the quantitative method investigated the impact of corporate strategy on financial performance in telecommunication companies in Rwanda. The qualitative data collection method on the other hand investigated the extent to which the corporate strategy affects financial performance in Rwanda.

The total population was 74 staff. The survey research design is a very valuable tool for assessing opinions and trends because it involves the collection of information from a sample of individuals through their responses to questions. The availability of data, the potential ability to conduct further comparisons by future researchers, if desired, are the two reasons assisting in the decision to utilize the stated target population as the data base for this research project. Since the population's size is small and accessible by the researcher, all 74 staffs were selected for this research.

A self-administered questionnaire was designed as the primary instrument for this study, which helped to get information from respondents. The questionnaires were provided to selected staff accompanied by the company approval cover letter. Recipients were requested to complete the questionnaire after which researcher were collect it for analysis.

4. Results and Findings

From the total 74 respondent of the questionnaire, statistics analysis of the gender indicated that 67.6% were male while 32.4% female, the analysis of age group indicated that 41.9% aged between 31-40 years, 33.8% of the respondents aged between 41–50, 13.5% between 21-30 and 10.8% of the respondents were 51 years. The analysis of the education background indicated 64.9% had a degree, 18.9% a diploma and 16.2% masters. The employees experience indicated that 68.9% had experience of 7 years and above, 23% had experience between 4 – 6 years and 8.1% had experience between 1 – 3 years.

Departments	Total population
	(Executive & Managerial Level)
Business Risk	2
CEOs Office & Legal	4
Finance	9
HR & CA	7
Marketing	5
MTN Business	7
Sales & Distribution	14
Technology	26
Total	74

Table 1: Population of the Study

The table highlight the targeted population of the survey used which was taken among staffs with a managerial and Executive position level. In choosing that staff category, the assumption was that, with their level in company hierarchy they deal with strategic decisions and have a wider understanding of the corporate operational strategy.

4.1. Regression Analysis on Operational Strategy and Financial Performance of MTN

A multivariate regression analysis was used to establish the relationship between the dependent and the independent variables.

The multivariate regression model was:

$Y = \beta_0 + \beta_1 X_1 + \varepsilon$

Where; Y = Financial performance; β0 = Constant Term

β_1, β_2, and β_3 = Beta coefficients X_1= Operational strategy;ε = Error term

The study used a 95% confidence level. A 95% confidence interval reflects a significance level of 0.05. This shows that for an independent variable to have a significant effect on the dependent variable, the p-value should be below the significance level (0.05).

Chi square (X2) statistics was used to investigate whether distributions of categorical variables differed from one another. The ANOVA table was used to compare the tallies of categorical responses between the independent and dependent groups

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.965[a]	.931	.930	.32671

Table 2: Model Summary
a. Predictors: (Constant), Operational strategy
b. Dependent Variable: Financial Performance (ROA and ROE)

R-square =0.931(93.1%). 93.1% variations in financial performance have been captured by the model used. Since the p-value is of 0.000, the model performance is statistically significant /very good.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	103.355	1	103.355	968.279	.000[b]
	Residual	7.685	72	.107		
	Total	111.041	73			

Table 3: ANOVA[a]
a. Dependent Variable: Financial Performance (ROA and ROE)
Predictors: (Constant), Operational strategy

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.122	.309		2.660	.010
	Operational strategy	.832	.018	.965	31.117	.000

Table 4: Coefficients[a]
Dependent Variable: Financial Performance (ROA and ROE)

From the table the researcher deduces the regression equation Where; Y = Financial Performance; B_2 = Constant Term
B_2= Beta coefficients
X_2 = Operational strategy
Y= 0.122 + 0.832X_2 (Operational strategy) Equation (ii)

5. Discussions

The results indicate that Operational strategy system has relationship with financial Performance of MTN Rwanda. The significance is 0.000 which indicates that there is positive relationship (0.832) between Operational strategy and financial Performance. These results provide reasonable evidence to the consistent view that, there is increase in profitability hence improved financial Performance. The beta of Operational strategy is .965 with at-statistic of 31.117. The positive coefficients mean a unit change in Operational strategy leads to a 0.832 units increase in financial performance while keeping Organization structure constant and since the P- value = 0.000 < 0.05 the positive t-statistic value indicates that the effect is statistically significant at 5 % test level. The effect of Operational strategy on financial Performance is statistically significant.

Looking on some other studies on the subject, Ansoff et al (2014) conducted one of the earliest studies into the impact of corporate operational strategy on corporate performance and this was on 93 American firms which were in the manufacturing sector. The criteria for the measurements were the financial indicators which were also used by Miller et al (2014) in similar studies much later on. The results favored corporate operational strategy. In a quantitative critique of 28 studies by Armstrong (2012) the conclusion was that 20 studies found higher performance with corporate strategies, 5 showed no difference and an insignificant 3 found corporate strategies to be detrimental.

Another study conducted in a three star Hotel in Kenya, more than half of the respondents from the other hotels reported that they apply business model strategy in their hotels. To compare whether the relationship between the application of business model and classification of hotels was statistically significant, a chi square test was carried out that gave a p-value=0.173 which was greater than the level of significant implies that the relationship between business model and hotel classification was statistically insignificant. In general, it was clear that there was no statistically significant relationship between operations strategies applied by different hotels.

6. Conclusion and Recommendation

In conclusion, this research established that MTN Rwanda have Corporate Operational strategy in place and the operational strategy has positively contributed to improve its financial performance inform of profitability. In establishing the relationship between operational strategy and financial performance of MTN Rwanda, the results show that operational strategy have contributed to the financial performance of MTN. This means that there is a significant relationship between operational strategy and financial performance of MTN Rwanda. We can therefore conclude that operational strategy highly contributes to positive financial performance of MTN Rwanda.

In order to promote Operational financial performance of MTN Rwanda, the researcher recommend that there should be effective and comprehensive planning by consulting all stakeholders in theorganization and there should bean effective tool for monitoring and evaluations of the effectiveness of the different corporate strategies.

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