



**EFFECT OF ORGANIZATIONAL CAPABILITIES ON SUSTAINABLE  
COMPETITIVE ADVANTAGE IN RETAIL SUPERMARKETS: A CASE OF  
SUPERMARKETS IN THIKA TOWN SUB-COUNTY, KENYA**

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**Abstract**

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*There is need to ensure retail supermarkets have distinctive capabilities that provide relevant knowledge, skills and attributes to enable supermarkets achieve competitive advantage that competitors cannot match. This explains why in the modern-day world, management attention has increasingly focused on organizational capabilities to create sustainable competitive advantage. This research views creating organizational capabilities as fundamental in the business future direction and sustainable growth. The purpose of this study was to investigate the effects of organizational capabilities on sustainable competitive advantage for retail supermarkets in Thika Town Sub-County, Kenya. The findings indicated that human capabilities, information communication technology capabilities, leadership capabilities and reputational capabilities have combined significant influence on sustainable competitive advantage of supermarkets in Kenya. In other words, organizational capabilities have a causal relationship with sustainable competitive advantage. Therefore, the study concludes study that organizational capabilities comprise of the human capabilities, informational communication capabilities, leadership capabilities and reputational capabilities. The study recommends that managers need to enhance a learning organization in building human capabilities and also invest in technological & infrastructural capabilities. In addition, organizations ought to enhance reputation with various stakeholders such as suppliers, customers and build a brand name so as to create a sustainable competitive advantage. The retail supermarkets should also value the expertise of experienced employees and prioritize skills, knowledge and abilities among staff.*

**Keywords:** Human capabilities, Information and Communications Technological capabilities, Leadership capabilities, Reputational capabilities, Sustainable Competitive Advantage

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## 1.0 INTRODUCTION

In the 21st century business landscape, firms are competing in a complex and challenging context that is being transformed by many factors from globalization, frequent and uncertain changes to the growing use of information technologies. Firms are continuously striving for ways to attain sustainable competitive advantage. They need to count more on their internal distinguished strengths to provide more added customer value, strong differentiation and extendibility. Practitioners and academicians have centered their studies on firm specific characteristics that are unique, add value to the ultimate consumer and are transferable to many different industrial settings (Hitt, Ireland & Hoskisson, 2014).

Thus, many firms have recognized that attaining competitive advantage is the most challenging issue facing firms in the 21st century. This has led competitive advantage to be an increasing focus for management thinking; meaning strategic management is a business reality. This concern has led to the development of resource-based and knowledge-based theories that examine the relationship between capabilities and sustainable competitive advantage. Therefore, strategy has moved from competing for product or service leadership to competing on capabilities leadership. Capabilities have become the primary factor for strategy formulation as it is an important source of profitability. Scholars have acknowledged the importance of capabilities concept to sustain competitive advantage (Szulanski, Cappetta & Jensen, 2004; Ticha, 2010). One stream of research suggests core competencies to be at the base of all competitive advantage (Schoemaker, 2013). The concept of core capabilities has implications at the strategic level; the firms should systematically work upon identifying their core capabilities and develop them for sustainable competitive advantage (Schoemaker, 2013).

In recent years the concept of competitive advantage has taken center stage in discussions of business strategy. Barney (1995, 2002) says that a firm experiences competitive advantages when its actions in an industry or market create economic value and when few competing firms are engaging in similar actions. Barney goes on to tie competitive advantage to performance, arguing that “a firm obtains above-normal performance when it generates greater-than-expected value from resources it employs. Many firms develop competitive advantage that aims to secure a strong market position and achieve profitability outcomes. In line with Barney’s (1991) study, such competitive advantages are commonly formulated by assessing the internal resources of the firm. Eisenhardt and Martin (2000) argued that a single resource cannot create competitive advantage, rather it is the combination of competitive resources such as brands, human resources (HR), information technology (IT) innovations, computer reservation systems, niche marketing and advertising, and pricing tactics that can increase a firm’s capabilities and improve performance (Oliver, 1997).

Industry sources indicate that modern retail expansion in Kenya remains below 20%, with neighborhood kiosks, market stalls and independent small grocers having a wider footprint. Over the review period, modern grocery retailers fiercely competed for strategic locations and customers as disposable incomes rose. New York Stock Exchange-listed research firm Nielsen ranked Kenya Africa’s second biggest formalized retail economy after South Africa, in a

consumer report that studied five sub-Saharan Africa economies. It is worth noting that 30 per cent of Kenyans do their shopping in formal retail outlets. Furthermore, 41% of Kenyan shoppers frequent formal retail outlets because of the wide range of products they offer, which they cannot find in the traditional outlets (Nielsen, 2015). Traditional stores are convenience outlets are mainly kiosks, cosmetic outlets, market stalls, telecom kiosks, drugs (pharmacists) and catering and leisure shops. Others include Twenty per cent of traditional stores in Kenya are convenience outlets while 33 per cent are groceries. In Cameroon, convenience outlets account for 48 per cent of the informal trade shops.

## **2.0 Statement of the Problem**

The little research or even unexplained strategic competitiveness in retailing sector prompted this study. In other words, a research gap is eminent on the analysis of organizational capabilities in retail supermarkets chain in Kenya to achieve sustainable competitive advantage.

## **3.0 Objectives**

The general objective of this study was to determine the effect of organizational capabilities on sustainable competitive advantage for retail supermarkets in Thika Town Sub-County, Kenya.

### **3.1 Specific Objectives**

Specifically, the study sought to:

- i. determine the effects of human capabilities on sustainable competitive advantage in retail supermarkets
- ii. determine the influence of information and communications technological capabilities on sustainable competitive advantage in retail supermarkets
- iii. determine the effects of leadership capabilities on sustainable competitive advantage in retail supermarkets
- iv. determine the effects of reputational capabilities on sustainable competitive advantage in retail supermarkets

## **4.0 Research Gap**

Recently, it has become evident that the current competitive landscape in many industries is one of on-going, heightened levels of competition, which demand that a range of capabilities, including reputational, information and communications technological, leadership and human capabilities are in place. Competition and greater level of variety among other competitive requirements have brought in more dynamic approach than was the case with the traditional and inflexible approach of production and offering of services. However, some interesting current examples of this “Capability- Competition” mismatch have seen some organizations fall behind due to their failure on dynamism (Dean and Snell, 1996). That is, they failed to build-up the proper organizational processes required to take advantage of flexibility as markets demanded.

Therefore, unless such capabilities are understood and become an explicit part of the strategic decision making levels of the firm their strategic potential may not be fully exploited and, indeed, may become lost via a range of strategic decisions including outsourcing, and divesting, thereby sacrificing such capabilities. The researcher wants to allude to the notion of strategic resonance as a means of unifying notions of capabilities, competencies linked to competition within and across firms.

## 5.0 Research methodology

This study adopted a descriptive survey research design. The population of this study incorporated 19 supermarkets in Thika Town Sub-county (list of supermarkets, Kiambu County Development Profile, 2015), with a target population of 54 retail managers in the 19 retail supermarkets in Thika Town.

## 6.0 RESEARCH FINDINGS

### 6.1 Overall Correlation Analysis

In order to check whether the variables are related, the Pearson Correlation Coefficient (Pearson r) was used in this study. The results were analyzed and tabulated as per table 1 below.

Table 1: Pearson Correlation Coefficients

		HC	ICTC	LC	RC	SCA
<b>HC</b>	Pearson Correlation	1	.710**	.623**	.777**	.502**
	Sig. (2-tailed)		.000	.000	.000	.005
<b>ICTC</b>	Pearson Correlation	.710**	1	.715**	.774**	.627**
	Sig. (2-tailed)	.000		.000	.000	.000
<b>LC</b>	Pearson Correlation	.623**	.715**	1	.761**	.682*
	Sig. (2-tailed)	.000	.000		.000	.000
<b>RC</b>	Pearson Correlation	.777**	.774**	.761**	1	.526**
	Sig. (2-tailed)	.000	.000	.000		.002
<b>SCA</b>	Pearson Correlation	.502**	.627**	.682**	.526**	1
	Sig. (2-tailed)	.005	.000	.000	.002	

\*\* Correlation is significant at the 0.05 level (2-tailed).

Where: SCA is Sustainable Competitive Advantage; HC is Human Capabilities; ICTC is Information & Communications Technological Capabilities; LC is Leadership Capabilities; and RC is Reputational Capabilities

The results from table 1 above indicate existence of a strong correlation among dependent variable (SCA) and independent variables (HC, ICTC, LC & RC). This is implied in that the correlations lies between -1 to +1, for this study all were positive indicating a positive correlation. The correlations between dependent variable and independent variables in this study do not go beyond 0.8, thus avoids multicollinearity. Multicollinerity occurs when two or more variables in the model are correlated and provide redundant information. In statistics testing the p-value indicates the level of relation of the independent variable to the dependent variable. If the significance number found is less than the critical value also known as the probability value (p) which is statistically set at 0.05, then the conclusion would be that the model is significant in explaining the relationship; else the model would be regarded as non-significant. Further analysis shows that all the correlation coefficients were significant at  $p= 0.05$  implying a 95% confident level.

### **Relationship between Human Capabilities and Sustainable Competitive advantage of supermarkets**

Table 2: Regression of Coefficient- Human Capabilities and SCA

Variable	B	Std Error	t	sig
<b>(Constant)</b>	0.358	0.068	5.277	0.000
<b>Human competencies</b>	0.397	0.114	3.456	0.001

From table 2, the specific model was;  $SCA=0.358+0.397HC$ , where HC is Human Capabilities and SCA is the Sustainable competitive advantage. This result indicates that human capabilities have significance positive effect on the SCA of supermarkets. This implies that a unit increase in human capabilities will lead to 0.397 improvements in SCA in the supermarkets.

### **Relationship between Information Communication Technology Capabilities and Sustainable Competitive Advantage of supermarkets**

Table 3: Regression of Coefficient - Information Communication Technology Capabilities and SCA

Variable	B	Std Error	t	sig
<b>(Constant)</b>	0.353	0.050	7.038	0.000
<b>Communication Technology</b>	0.419	0.087	4.824	0.000

From table 3, specific model was;  $SCA=0.353+0.419ICTC$ , where ICTC is Information Communication Technology Capabilities and SCA is the Sustainable competitive advantage. This result indicates that information communication technology capabilities have a significance positive effect on the sustainable competitive advantage of supermarkets. This implies that a unit increase in information communication technology capabilities will lead to 0.419 improvements in sustainable competitive advantage in the supermarkets.

### **Relationship between Leadership Capabilities and Sustainable competitive advantage of supermarkets.**

Table 4: Regression of Coefficient- Leadership Capabilities and SCA

<b>Variable</b>	<b>B</b>	<b>Std Error</b>	<b>t</b>	<b>sig</b>
(Constant)	0.227	0.066	3.466	0.001
Leadership Capabilities	0.614	0.0110	5.592	0.000

From table 4, the specific model was;  $SCA=0.227+0.614LC$ , where LC is Leadership Capabilities and SCA is the Sustainable competitive advantage. This result indicates that leadership capabilities have significance positive effect on the competitive advantage of supermarkets. This implies that a unit increase in leadership capabilities strategies will lead to 0.614 improvements in Sustainable competitive advantage in the supermarkets.

### **Relationship between Reputational Capabilities and Sustainable competitive advantage of supermarkets**

Table 5: Regression of Coefficient- Reputational Capabilities and SCA

<b>Variable</b>	<b>B</b>	<b>Std Error</b>	<b>t</b>	<b>sig</b>
(Constant)	0.306	0.078	3.946	0.000
Reputational Capability	0.461	0.124	3.710	0.001

From table 5, the specific model was;  $SCA=0.306+0.461RC$ , where RC is Reputational Capabilities and SCA is the Sustainable competitive advantage. This result indicates that Reputational capability has a significance positive effect on the Competitive advantage of supermarkets. This implies that a unit increase in Reputational capability strategies will lead to 0.461 improvements in sustainable competitive advantage in the supermarkets.

## The Combined Effect of Human Capabilities, Information Communication Technology Capabilities, Leadership Capabilities and Reputational Capabilities on Sustainable Competitive Advantage of Supermarkets

The results presented in table 6 present the fitness of model used of the regression model in explaining the study phenomena. Human Capabilities, Communication Technology, Leadership Capabilities and Reputation capability explained 50.5% of variation in Sustainable Competitive Advantage in Supermarkets in Thika Sub County.

Table 6: Overall Model Fitness

Indicator	Coefficient
R	0.711
R-Squared	<b>0.505</b>
Adjusted R-Squared	0.446
Std. Error of the Estimates	0.04299

From the table 6 above, R squared of 0.505 indicates that overall, the independent variables (human capabilities, information communication technology capabilities, leadership capabilities and reputational capabilities) explained 50.5% of variation in sustainable competitive advantage in Supermarkets in Thika Sub-county.

Table 7: Overall Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	.062	4	.016	8.452	.000
Residual	.061	33	.002		
Total	.123	37			

The table 7 provides the results on the analysis of the variance (ANOVA). The results imply that human capabilities, information communication technology capabilities, leadership capabilities and reputational capabilities are good predictors of sustainable competitive advantage of supermarkets. This was supported by an F statistic of 8.452 on 4 and 33 degrees of freedom and the reported p value (0.000) which was less than the conventional probability of 0.05 significance levels. These results indicate that the overall model fitted on the data is statistically significance.

On overall regression of coefficient, table 8 below shows the analyzed results

**Table 8: Overall Regression of Coefficient**

Variable	B	Std Error	t	sig
(Constant)	.688	.288	2.389	.000
Human capabilities	.491	.106	4.632	.000
Information Communication Technology Capabilities	.460	.125	3.680	.000
Leadership Capabilities	.247	.128	1.930	.001
Reputational Capability	.423	.125	3.384	.000

From table 8, the specific model was;  $SCA=0.688+0.491HC+0.460ICTC+0.247LC+0.423RC$ , where HC is Human Capabilities, ICTC is Information Communication Technology Capabilities, LC is Leadership Capabilities, RC is Reputational Capabilities and SCA is the Sustainable competitive advantage. These results indicate that human capabilities, information communication technology capabilities, leadership capabilities and reputational capabilities have a significance positive effect on the sustainable competitive advantage of supermarkets. This implies that a unit increase in human capabilities, information communication technology capabilities, leadership capabilities and reputational capabilities will lead to 0.491, 0.46, 0.247, and 0.423 respectively improvement in sustainable competitive advantage of supermarkets.

## 6.2 Discussion

The findings indicated that human capabilities, information communication technology capabilities, leadership capabilities and reputational capabilities have combined significant influence on sustainable competitive advantage of supermarkets in Kenya supported by p-value of 0.000 (t values are greater than the tabulated t-value (1.68) at 5% of significant and 33 degree of freedom). As noted earlier, the research findings are in agreement with Wernerfelt, 1984; Barney, 2007; Wiklund & Shepherd, 2003; King, 2007) which shown a significant relations between organizational capabilities and sustainable competitive advantage. Organizational capabilities enhance the resource elements towards attaining competitive advantage (Sirmon, Hitt, & Ireland, 2012). Therefore, the study addressed the problem and from the findings it has helped determine the correlation between organization capabilities and sustainable competitive advantage in supermarkets in Kenya. In addition, the study findings conclusively helped achieve the general objective of this study was to determine the effects of organizational capabilities on sustainable competitive advantage for retail supermarkets in Thika Town Sub-County, Kenya. This also involved establishing the effects of acquiring and building on capabilities like: reputational, informational communication technology and leadership and how they entirely



affect provision of distinctive product or service, number of customers, increased revenue and increased profits.

## 7.0 SUMMARY

The responses to the study were made up 70.4% of respondents comprising of the top level management and lower level management at retail supermarkets in Thika sub-county, Kenya. The male respondents were 44.7% while the female respondents' were 55.3%. From the study it was evident that most of the respondents held a bachelor's degree or master's degree (60.5%) with only 28.9% have a diploma while 10.5% had certificates. Most of the respondents had worked at the supermarkets between 1-10 years and below (89.4%) and majority (86.8%) were 35 years of age and below which shows that the supermarkets employ people at their most productive age.

Principally, the results indicated a relationship between organization capabilities and sustainable competitive advantage. From the correlations table, all the correlation coefficients were significant at  $p = 0.01$  implying a 95% confident level. When correlated against sustainable competitive advantage, human capabilities had  $R = 0.502$ ,  $p = 0.005$  ( $p < 0.05$ ) indicating a very strong relationship which is statistically significant. This shown that human competency is good predictor of sustainable competitive advantage of retail supermarkets. Information communication technology when correlated against sustainable competitive advantage had an  $R = 0.627$ ,  $p = 0.000$  ( $p < 0.01$ ) which indicated a strong positive relationship between the two variables and hence information communication technology can be used as an independent variable to describe SCA as a dependent variable. The correlation coefficient was significant at 95% confident level.

The relationship between leadership capabilities and sustainable competitive advantage was presented by  $R = 0.682$ ,  $p = 0.000$  ( $p < 0.05$ ) an indication of strong correlation which was statistically significant at 95% confident level. This clearly shown that leadership competency is a good predictor of sustainable competitive advantage of supermarkets without any biasness. The correlation results shown a  $R$  of 0.526 and  $p$  of 0.002 ( $p < 0.01$ ) for the relationship between reputation capabilities and sustainable competitive advantage, this indicates a strong positive, statistically significant correlation at the 95% confident level. Hence reputation capabilities were assumed to have significant role in defining sustainable competitive advantage in retail supermarkets.

On the multiple regressions, the adjusted  $R$  squared of 0.505 indicated that 50.5% variance in sustainable competitive advantage which was explained using the independent variables under study while the remainder was attributed to variables not included in the study. This shown that

the independent variables employed in the study have a great role in defining the dependent variable and determines its variance to a larger extent than the variables not included in the study.

## **8.0 Conclusion**

Organizational capabilities and sustainable competitive advantage have been, and continue to be, important disciplines of study for both researchers and practitioners. This study has demonstrated the importance of better integrating these two areas of study. If organizations are to be competitive in a sustainable way, then there is need to more closely marry these concepts in study's investigations of organizational capabilities. The findings as discussed as per each objective increase the confidence that the significant relationships are not spurious or based on linear forms of bias. Furthermore, although most studies of sustainable competitive advantage focus on one organizational capability, investigating cross-organizational capabilities so as to obtain and examine variance in critical variables, such as human, leadership, informational communication technology and reputational capabilities is also important.

In the light of the findings of the study, human capabilities are depicted in the retail supermarkets by both skilled and unskilled employees to improve its serve delivery to customers; employing experts to carry out market survey and marketing of our supermarket to increase the sales; ability to hire more employees to compete well on the market; knowledge of the customers' needs and demand that has attracted more customers; and updates to customers on the available new products in the supermarket. Therefore, this study concludes that human capabilities in terms of skills, knowledge and abilities have an effect on sustainable competitive advantage in retail supermarkets in Kenya.

From the results, it is concluded that the diverse information and communications technological capabilities employed in the supermarket include on online shopping website platforms, use of computers, surveillance systems, payment using visa cards, retail operation systems, loyalty cards and use of M-pesa payment; have an effect on the sustainable competitive advantage in retail supermarkets in Kenya. Particularly, supermarkets use of computers in serving customers has increased the efficiency of service hence attracting more customers and the use of VISA cards for payments has attracted more customers hence increasing sales.

The study found out that majority of employees has managerial wisdom and absorptive leadership capabilities and thus play a key role in building sustainable competitive advantage in retail supermarkets. It can be concluded that leadership capabilities have an influence on the sustainable competitive advantage in retail supermarkets in Kenya.

The study established that various reputational capabilities with different stakeholders, namely: customers, suppliers and the brand name play a role in defining reputational capabilities in retail supermarkets in Kenya. It is also conclusive that retail supermarkets' good reputation with customers' increases sales, increases profits; able to compete well with other established businesses, attracted quality products and have attracted good discounts from the suppliers.

Therefore, reputational capabilities have an effect on the sustainable competitive advantage in retail supermarkets in Kenya.

In measuring sustainable competitive advantage, the study concludes that providing a distinctive product or service to measure sustainable competitive advantage determines the competitiveness more than other metrics. Increased profits, number of customers and increased revenue are the other measures of sustainable competitive advantage at retail supermarkets. Overall, all the organizational capabilities in retail supermarkets studied have an effect on sustainable competitive advantage at retail supermarkets.

## **9.0 Recommendation**

In view of the findings that emerged from this study, the researcher made the following recommendations

There was need for managers to include employees in the building organization capabilities. This would help ensure that workers understand the goals, and promotes acceptance of challenging objectives that they help define. In addition, organizations need to consider how to recognize and encourage contributions that exceed expectations. Managers need to enhance a learning organization in building human capabilities and also invest in technological & infrastructural capabilities. Therefore, the retail supermarkets should also value the expertise of experienced employees.

In retail supermarkets, there is need to use of information technology to support knowledge creation process dynamically as part of organizational learning. Organizational learning is about exploration and exploitation. Supermarkets should embrace ICT of different forms of ICT that create sustainable competitive advantage to include use of computers, online shopping, website platforms, vending machines, use of surveillance systems and use of retail software.

Companies should facilitate congruence between leadership capabilities in the organization and creating sustainable competitive advantage. The managers in retail supermarkets should ensure that there is staff empowerment and clear career paths. The retail sector should create that environment that enable staff to grow based on performance as well as room for decision making within given parameters especially for the management staff.

Retail supermarkets should build and maintain a strong reputation that offers a valuable resource so that they can position themselves in the market. Particularly supermarkets should enhance reputation with suppliers, reputation with customers and create a brand name sustained over time for profitability and increased revenue. In addition, managers in retail supermarkets should seek to have the reputational resources to enhance trust and confidence (credibility) in the organization; leading individuals to feel safe in purchasing its stock, applying for jobs within the organization, buying its products and choosing not to boycott the firm during a crisis.

## **Organizational Capabilities and Sustainable Competitive Advantage**

Supermarkets should invest in human resource and information technology with the aim of improving gaining competitiveness. It is recommended that organizational policies in supermarkets should be reviewed in light of new strategies in comparison with activities carried out by successful organizations in other parts of the countries and beyond in order to achieve desired organizational objectives. More techniques for building organization capabilities should be developed including creating branding and encouraging creativity among employees

### **10.0 Suggestion for Further Study**

For a fact, no research is an end in itself, organization capabilities and competitiveness as part of strategic management study is still a young field, origin in the 1950s thus, cannot be said to be mastered. Meaning, what the research achieved should be supplemented by further research work. From insights gained in the course of the careful and thorough investigation, the researcher offered the following suggestions that would act as a basis for further work on the subject. The research carried out sought to to analyze the relationship between organizational capabilities and sustainable competitive advantage in retail supermarkets in Thika sub-county in Kenya. It is recommended that further research should be conducted on other sub-counties in Kenya and East Africa; to cover the retail supermarkets.

A replication of the study should be done after five or more years to find out what changes will have taken place and compare with the current data. From this, a definite recommendation and conclusion should be arrived at. With the dynamic operating environment at work in retail supermarkets context, more studies should be carried out to document the effects such changes bear on the relationship between organizational capabilities and sustainable competitive advantage in organizations.

Scholars could also carry out a research on the awareness and effectiveness on organization capabilities to establish their contribution towards competitive advantage in organizations. Such data may be made available to stakeholders to help improve the overall working environment of retail supermarkets in Kenya. Another study should be undertaken to investigate the relationship between organization capabilities and organization performance in retail supermarkets in Kenya.

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