

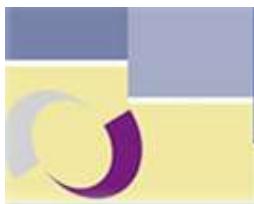


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**INFLUENCE OF DYNAMIC CAPABILITIES ON FIRM PERFORMANCE IN THE MANUFACTURING SECTOR IN KENYA. A CASE OF KETEPA LIMITED**

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### ABSTRACT

This study investigated the effect of dynamic capabilities on manufacturing sector performance; a case of Ketepa Ltd. This research adopted explanatory design and targeted a total of 104 respondents comprising of all level managerial employees and supervisors at Ketepa Tea Limited who were involved in strategy development and implementation at the corporate, business and operational level. Census method was adopted since the target population is small. The study utilized structured questionnaires to collect primary data from the field and the data collection instruments was piloted in selected tea processing firms in Nandi County. Data analysis was done by use of descriptive and inferential statistics computed by Statistical Package for Social Sciences (SPSS 23). Descriptive analysis summarized data into meaningful forms while inferential analysis was used to show variable relationships. 91 out of the sampled 104 respondents returned duly filled questionnaires. Both descriptive and inferential statistics showed that all conceptualized independent variables significantly influenced performance of Ketepa Tea Ltd. That is; from the values of unstandardized regression coefficients with standard errors in parenthesis, both the independent variables; alliance management and dynamic management were significant predictors of firm performance (dependent variable). The study concluded that, dynamic management capability significantly influences manufacturing firm performance, thus a management that efficiently responds to emerging issues and has a clear understanding of where the company is going can save a firm's performance in turbulent times.. The study recommended that first, managers of tea processing firms should continuously engage in systematic formulation of long term strategy and timely response to competitive strategic moves which can impact positively on the performance of a manufacturing firm. Further, management of tea processing firms should be alert to timely respond to emerging issues in tea processing sector and remain steady fast in the clear understanding of where the company is going so as to save the firm's performance in turbulent times.

**Key Words:** Alliance Management, Dynamic Management, Performance of Manufacturing Sector

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## INTRODUCTION

The dynamic capabilities perspective has emerged as one of the most influential theoretical lenses in the study of strategic management over the past decade (Schilke, 2013). Researchers theorise that the dynamic capabilities view originates from Schumpeter's innovation based competition where competitive advantage is based on creative destruction of existing resources and novel recombination into new operational capabilities (Pavlouet *et al.*, 2011). Teece (2011) theorised that the dynamic capabilities framework is increasingly providing the intellectual infrastructure for both theoretical and applied analyses of strategic management.

The concept is an extension of the resource based view (RBV) of the firm (Wanget *et al.*, 2007). The RBV states that when firms have resources that are valuable, rare, inimitable and non substitutable (VRIN), they are able to leverage these strategic resources to create unique value for the firm (Baretto, 2010). Teece, Pisano and Shuen, some of the earlier creators of the concept framed it as a firm's ability to sense, seize and reconfigure its resources to respond to the changing environment (Helfatet *et al.*, 2014).

In the ever changing global business environment, it has become less about formulation and implementation of strategy and more about the firm's ability to reconfigure and meet the clients' changing needs (Rosato, 2011). Dynamically competitive global firms do not just build defences to competition; they help shape competition and marketplace outcomes through entrepreneurship, innovation, semi-continuous asset orchestration and business reconfiguration (Gathungu *et al.*, 2012).

To assess dynamic capabilities in the global perspective, Daft and Samson (2015), empirically examined the relevance of dynamic capabilities of firm performance in the United States (US) and in particular at IBM. The study concluded that though many analysts had written off IBM as a has-been in

the early 90s, new top managers steered the company through a remarkable transformation by capitalising on IBM's core competencies of expert technology and leveraging existing capabilities to create new solutions to customer's problems (Daft, 2014). Further, Shuen, Feiler and Teece (2014) in their survey of the North American Upstream Oil and Gas industry concluded that due to the limited nature of the resources involved, and the intensity in competition, regular reconfiguration of existing competencies into new dynamic opportunities was key for survival.

Various studies have been done such as Collier and Gunning (2009) in their two survey papers posed the question as to why success of manufacturing firms has been such a rarity in Africa. In their first paper they ask if macro and micro evidence give broadly similar answers to the question as to why Africa manufacturing sector performed badly.

In their second paper they consider whether it is policy or destiny, either internal or external, which the principle determinant of widespread failure in Africa is. Their answer in their first paper is that both macro and micro evidence point in the same direction - Africa suffers from low social capital, poor infrastructure and risk. Their second paper argues that it is policy not destiny that is the key to poor performance. Their analysis points to poor policy and non-application dynamic capabilities resulting in a nexus of constraints from which escape is difficult but not impossible (Montiel & Serven, 2010).

The advent of globalization has brought with it drastic changes to the operating landscape for firms in the Kenya's manufacturing sector. The need for transformational changes so as sustain competitive advantage has been on the rise. For instance, tea production and processing has risen to be one of the foremost contributors to the GDP of Kenya and has sustained the livelihoods of thousands. Tea in Kenya is however mainly produced for export with only about 5% of the tea produced being consumed locally (Bowfield, 2010). Tea processing, exporting,

blending and packaging is however dominated by large MNCs which have the benefit of acquisition and value adding capabilities at plants located in European Countries (FAO, 2013).

The local tea producers' participation thus meets its end at the MTA where they sell their tea, either privately or through KTDA, for further blending and packaging abroad (FAO, 2015). Blending and packaging, two high value adding operations that represent up to 80% of the retail price, are undertaken mainly in processing plants situated in Europe or Western Countries (Agritrade, 2011). Despite Kenya being one of the leading producers of black and green tea, local processors' revenues earned are still negligible compared to other tea producers in the world. Unilever Tea Kenya and James Finlay's together with five others situated in India and Europe control about 85% of the world's tea output (Bowfield, 2010).

### **Statement of the Problem**

World Bank statistics depicts a stagnated and declining manufacturing sector performance in Kenya for the last five years due to uncertain operating environment (World Bank, 2016). For instance manufacturing sector in Kenya contributed barely 13.6 per cent to the GDP in the year 2016 indicating a decline from the previous year 2015 where it had reported a 5.6 per cent growth with the tea processing sector really affected (KNBS, 2016). Most studies have focused on industry and firm specific factors that influence manufacturing sector performance with little regard to dynamic capabilities. Existing literature on dynamic capabilities (Adenikinju *et al.*, 2002) presupposes that those firms that embrace a paradigm shift from conventional manufacturing to models that are based on appropriate dynamic capabilities improve their performance. However, dynamic capabilities, though vital in creatively destroying and regenerating new resources (Schilke, 2010) have remained under-utilized due to a scarcity in the empirical and theoretical research on the concept. Further, recent work on dynamic capabilities emphasizes the importance and role of

organizational routines in explaining inter-firm differences in performance are well documented, but empirical research on the causal role of dynamic capabilities on firm performance has been limited (Pisano, 2015).

Pisano (2015) attributes the scarce application of dynamic capabilities in managerial practice to the intense focus that researchers have applied to the definition of the components thus neglecting its features and interaction with firm performance. Moreover, Blum (2004) and Wall (2003) while tracing dynamic capabilities origins to the resource based view of the firm, lamented the little work that has been done to further expand the dynamic capabilities concept and to theorize its relationship with competitive advantage for a firm as to make it an applicable economic concept.

Therefore dynamic capabilities have been in the recent focus of mainstream strategy research with theoretical advances in manufacturing sector performance research, but existing literature predominantly lacks studies that empirically integrate the dynamic capabilities in manufacturing sector performance with specific reference to the tea processing sector. Building on this gap in the literature, this paper investigated the effect of dynamic capabilities on manufacturing sector performance; a case of Ketepa Ltd.

### **Objectives of the Study**

The general objective of this study was to investigate the influence of dynamic capabilities on firm performance in the manufacturing sector in Kenya. The specific objectives were:-

- To determine the influence of alliance management capabilities on firm performance in the manufacturing sector in Kenya.
- To determine the influence of dynamic managerial capabilities on firm performance in the manufacturing sector in Kenya.

### **Hypotheses of the Study**

- **Ho<sub>1</sub>:** There is no significant relationship between alliance management capabilities and

- firm performance in the manufacturing sector in Kenya.
- **H<sub>0</sub><sub>2</sub>:** There is no significant relationship between dynamic managerial capabilities and firm performance in the manufacturing sector in Kenya.

## LITERATURE REVIEW

### Theoretical Review

#### Creative Destruction Theory

Researchers theorise that the dynamic capabilities view originates from Schumpeter's innovation based competition, where competitive advantage is based on creative destruction of existing resources and novel recombination into new operational capabilities (Pavlou *et al.*, 2011).. This view sees creative destruction for regeneration of new strategic capabilities as vital to fuelling of the capitalist machine (Kitenga *et al.*, 2014). Teece, Pisano and Shuen (1997) codified dynamic capabilities theory as reliant on a firm's ability to sense, seize and reconfigure strategic resources thus further developing the creative destruction theory.

#### Resource Based View Theory

Dynamic capabilities theory is further viewed as an extension of the resource based view (RBV) of the firm. Teece, Pisano and Shuen (1997) traced the origins of dynamic capabilities perspective to the RBV and posited that for resources to go beyond ordinary level capability, they have to be Valuable, Rare, Inimitable and Non-substitutable (Kitenga *et al.*, 2014). Dynamic capabilities, encapsulating the evolutionary nature of resource and capabilities thus emerged to encapsulate the RBV (Teece *et al.*, 1997; Wang *et al.*, 2007).

Recent developments such as Eisenhardt and Martin (2000) suggest an important reframing of dynamic capabilities concept through challenging some of the resource based view assumptions (Galvin *et al.*, 2014). The main criticism of the RBV is that it explains competitive advantage in a static environment and does not explain why some firms

have competitive advantage in a fast changing environment (Zitkiene *et al.*, 2015). Some theorists suggest that rather than trying to more closely integrate with the RBV, the dynamic capabilities view needs to highlight its differences to the RBV both in respect to the assumptions and its theoretical logic thus positioning itself as independent from RBV theory and the criticisms levelled against it (Galvin *et al.*, 2014)

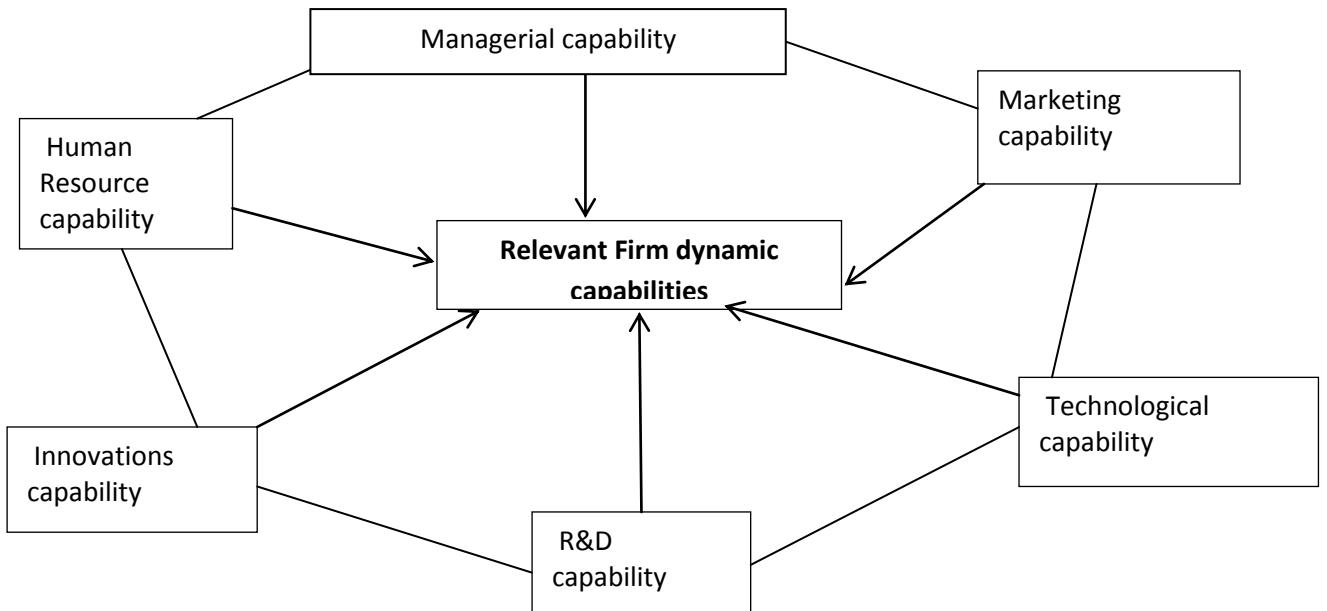
#### Architectural Innovation Theory

Protecting the current value created by the firm requires undertaking a large number of activities to produce outputs that increase the likelihood of firm survival and prosperity (Winter, 2003; Bakman, 2012). A dynamic capability that does not result in the creation of resources that allow the firm to maintain and enhance its sustainable competitive advantage would not be valuable (Kitenga *et al.*, 2014). This means that a firm needs to use its dynamic capabilities repeatedly in order for them to reproduce significant value (Helfat *et al.*, 2011).

Dynamic capabilities are directed at the creation of future resources, which means they are typically vulnerable to short-term pressures to trim costs because whether their impact was valuable can only be assessed ex-post (Gathungu *et al.*, 2012). While possession of firm specific valuable, rare and inimitable capabilities stand at the heart of firm prosperity, as argued by proponents of the resource based view, the dynamic capabilities view stresses that the value of possessing specific types of capabilities is temporary (Bakman, 2012).

#### Dynamic Capability Model

Based on literature review (Moliterno & Wiersema, 2007) firm related dynamic capabilities comprise of managerial, human resource, marketing, technological, innovations plus research and development capabilities. Thus the dynamic capability model suitable for this study is presented below;



**Figure 1 : Dynamic capability model**

### Empirical Literature Review

#### Strategic Alliance Capabilities and Firm Performance

Strategic alliances and new product development are essential means for reconfiguring the organisational resource base and give the firm access to resources that lie outside their boundaries while updating the firm's product portfolio (Schilke, 2013). Alliance management capabilities has been defined as a type of dynamic capability with the capacity to purposefully, create, extend or modify the firm's resource base, augmented to include the resources of its alliance partners (Helfat *et al.*, 2007; Schilke, 2013). Acquiring resources can be made more affordable and efficient when collaboration is added into a business model to gain efficiency-orientated competitive advantage (Crick, 2015). The source of competitive advantage is both financial and operational convenience including, the access to a larger resource pool, cost sharing, new networks, technological transfer among others resulting in innovations for first mover advantage (Liao, 2016).

#### Dynamic Managerial Capabilities and Firm Performance

The concept of dynamic managerial capabilities was introduced by Adner and Helfat (2003) where they defined it as the capabilities with which managers build, integrate and reconfigure organisational resources and competencies. The concept is aimed at explaining why some managers are more skilful than others at anticipating, interpreting and responding to evolving environmental demands (Harder, 2011). The dynamic managerial capabilities concept extends the dynamic capabilities perspective by directing attention to the role of managers, individually and in teams in directing strategic change (Teece *et al.*, 2009; Helfat *et al.*, 2013). These resources are viewed as providing the basis for the patterned aspects of managerial intentionality, deliberation, decision making and action for competitive advantage (Martin, 2011).

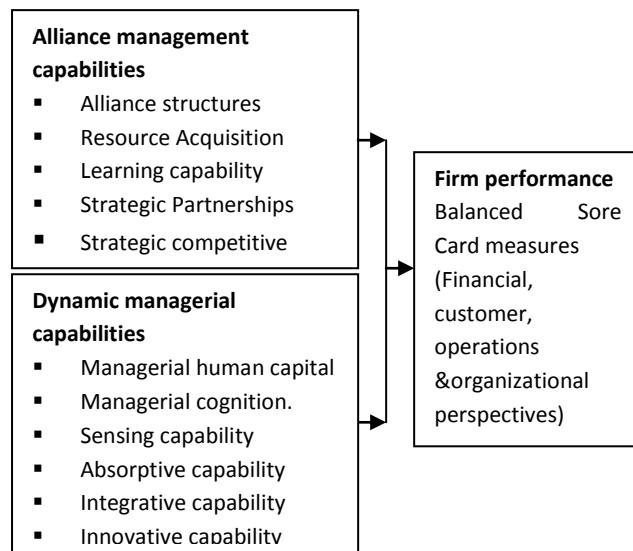
#### Performance

According to Aremu and Oyinlola, firm performance id measured according to the purpose for which an organisation was set up and may involve both financial and non financial measures. Kaplan and Norton (1992) sought to develop a universal tool for measuring firm performance, the balanced score card, anchoring on four measures namely financial, customer, internal business (operational), and

learning and growth measures. Monday, Akinlola, Ologbenla and Aladeraji (2015) look at these as both financial measures, which include return on investment, profits, return on assets and sales; and non financial measures, which include customer satisfaction, referral rates, delivery time and employee turnover.

This proposal shall measure performance by evaluating financial measures such as profits, sales and return on investment as well as assessing for internal business operations, which is a non financial measure. The impact of independent variables and their select dimensions on these two aspects of firm performance shall be evaluated.

### **Conceptual Framework**



### **Independent variables Dependent variable**

**Figure 2: Conceptual framework**

**Source:** Author (2019)

### **METHODOLOGY**

This research adopted explanatory design. The use of the explanatory research is considered appropriate to use any time there is need to clarify a perceived problem that entails explaining relationships in a given circumstance (Johnson, 2006; Saunders *et al.*, 2009). The target population was a total of 104 respondents comprising of all level managerial employees and supervisors at

Ketepa Tea Limited who are involved in strategy development and implementation at the corporate, business and operational level. The research shall utilize structured questionnaires to collect primary data from the field. The Analytical model for the study took the form below:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \epsilon$$

Where;

$Y$ = Firm Performance

$\alpha$ = Constant Term

$\beta$ = Beta Coefficient –This measures how many standard deviations a dependent variable will change, per standard deviation increase in the independent variable.

$X_1$ = Alliance management capabilities

$X_2$ = Dynamic management capabilities

$\epsilon$ = Error term

### **FINDINGS**

#### **Descriptive statistics.**

Descriptive statistics in this research were summation of responses based on independent variables (alliance management and dynamic management capabilities) and the dependent variable (firm performance); and further indicated the outcomes of responses to each of the statements on study variables using Likert scale with values ranging from 5 to 1; that is; 5=Strongly Agree, 4=Agree, 3= Uncertain, 2=Disagree and 1= Strongly Disagree; and in one case; - Greater extent, 4- Great extent, 3- Moderate extent, 2- Little extent, 1- No extent. The results are presented in the table form showing frequencies of responses as per each statement and its corresponding percentage score in brackets.

#### **Alliance Management Capabilities and Firm performance**

This assessed objective one of the study; that is, the influence of alliance management capabilities on firm performance in the manufacturing sector in Kenya. Respondents were asked to respond to 5

statements presented as follows; (i) There was Systematic formulation of long term strategy (ii) there was timely response to competitive strategic moves (iii) there was effective adoption of the latest management tools and techniques (iv) there

was flexible adaptation of human resources to technological and competitive changes and (v) there was timely resource acquisition. The results were presented in table 1.

**Table 1: Descriptive statistics: Alliance Management Capabilities**

<b>Statement</b>	<b>Frequency and Percentage (%)</b>						<b>Mean</b>	<b>Std.dev</b>
	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>			
1. There is Systematic formulation of long term strategy.	10(11.0)	50(54.9)	12(13.2)	11(12.1)	8(8.8)	3.47	0.819	
2. There is timely response to competitive strategic moves	8(8.8)	51(56.0)	10(11.0)	16(17.6)	6(6.6)	3.43	0.887	
3. There is effective adoption of the latest management tools and techniques	11(12.1)	49(53.8)	3(3.3)	21(23.1)	7(7.7)	3.40	0.891	
4. There is flexible adaptation of human resources to technological and competitive changes	16(17.6)	52(57.1)	6(6.6)	8(8.8)	9(9.9)	3.64	0.869	
5. There is timely resource acquisition	10(11.0)	54(59.3)	8(8.8)	10(11.0)	9(9.9)	3.51	0.939	

**Valid N (listwise) 91**

**Grand mean = 3.490**

From table 1, most respondents agreed (54.9%) and strongly agreed (11.05) that there was systematic formulation of long term strategy. This affirmed the notion that if management is involved in systemic formulation of long term business or corporate strategy, then they will strong support its full implementation. Secondly, most respondents agreed (56.0%) and strongly agreed (8.8%) that there is timely response to competitive strategic moves. This implies that the management of Ketepa Teal Ltd., was alive to the notion of product or business competition thus read competitor moves and timely responds to them so as maintain a competitive edge.

Further, 53.8% and 12.1% of respondents agreed and strongly agreed respectively that there was effective adoption of the latest management tools and techniques. This implied that since Ketepa Teal Ltd, was involved in tea processing, the management has to ensure that there are updated management and operational tool and techniques to boost firm performance. Similarly, most

respondents agreed (57.1) and strongly agreed (17.6%) that there was flexible adaptation of human resources to technological and competitive changes. This implies that Ketepa tea Ltd., engages in regular training of its staff to meet the dynamic technological changes in the tea processing sector.

Lastly, most respondents agreed (59.3%) and strongly agreed (11.0%) that there was timely resource acquisition. This implies that the company engages in timely acquisition of resources to facilitate any emerging management or technological changes in the tea processing sector. This was reinforced by Crick, (2015) who assert that acquiring resources can be made more affordable and efficient when collaboration is added into a business model to gain efficiency-orientated competitive advantage and the source of competitive advantage is both financial and operational convenience including, the access to a larger resource pool, cost sharing, new networks, technological transfer among others resulting in innovations for first mover advantage (Liao, 2016).

## **Dynamic Management Capabilities and Firm performance**

This assessed objective two of the study; that is, the influence of dynamic management capabilities on firm performance in the manufacturing sector in

**Table 2: Descriptive statistics: Dynamic Management Capabilities (DMC)**

<b>Statement</b>	<b>Frequency and Percentage (%)</b>						<b>Mean</b>	<b>Std.dev</b>
	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>			
1. Management is dynamic & paints an exciting picture of the future of the organization.	8(8.8)	46(50.5)	14(15.4)	13(14.3)	10(11.0)	3.32	0.763	
2. Communicates an exciting vision of the future of the organization and is trusted by members of the organization	9(9.9)	53(58.2)	7(7.7)	14(15.4)	8(8.8)	3.45	0.838	
3. Easily absorbs positive ideas from others and provides a good management model to follow	13(14.3)	47(51.6)	4(4.4)	20(22.0)	7(7.7)	3.43	0.903	
4. Has/have a clear understanding of where the company going and gives the feeling that, whether we succeed or fail, we are all in this together.	14(15.4)	54(59.3)	3(3.3)	12(13.2)	8(8.8)	3.59	0.864	
5. Effectively allocates resources, assigns tasks, supports innovations and senses high degree of diversity of competitors' activities.	13(14.3)	50(54.9)	9(9.9)	13(14.3)	6(6.6)	3.56	0.908	
<b>Valid N (listwise) 91</b>								
<b>Grand mean = 3.470</b>								

From table 2, most respondents agreed (50.5%) and strongly agreed (8.8%) that management was dynamic and paints an exciting picture of the future of the organization. This implied that management at Ketepa Tea Lts., was quite flexible in adopting to new systems of management and gives hope to workers that any change in the firm will bring positive effect on firm performance. Secondly, most respondents agreed (58.2%) and strongly agreed (9.9%) that management communicates an exciting vision of the future of the organization and was trusted by members of the organization. This implied management at Ketepa Tea Ltd., was trusted by the subordinates, thus any new changes in the organization are effectively implemented without the fear of unknown.

Kenya. Respondents were asked to respond to 5 statements. The results were presented in table 2.

More so, most respondents agreed (51.6%) and strongly greed (14.3%) that management absorbs positive ideas from others and provided a good management model to follow; meaning that when management allows collaborative working environment by accommodative divergent views from other employees, then all employees will be committed in implementing dynamic changes in the organization because they felt that they were part of the success of the organization.

Lastly, 59.3% and 15.4% of respondents agreed and strongly agreed that management had a clear understanding of where the company was going and gives the feeling that, whether we succeed or fail, we are all in this together; while 54.9% and 14.3% of respondents agreed and strongly agreed

respectively that management effectively allocates resources, assigns tasks, supports innovations and senses high degree of diversity of competitors' activities. This was supported by Harder, (2011) assertion that the dynamic managerial capabilities concept extends the dynamic capabilities perspective by directing attention to the role of

managers, individually and in teams in directing strategic change. The concept of dynamic capabilities is thus aimed at explaining why some managers are more skillful than others at anticipating, interpreting and responding to evolving environmental demands (Harder, 2011).

**Table 3: Correlations**

		Alliance Mgt	Dynamic Mgt	Firm Performance
Alliance Mgt	Pearson Correlation			1
	Sig. (2-tailed)			
	N		91	
Dynamic Mgt	Pearson Correlation	.716**		1
	Sig. (2-tailed)	.000		
	N	91	91	
Firm Performance	Pearson Correlation	.791**	.857**	1
	Sig. (2-tailed)	.000	.000	
	N	91	91	91

#### **Direct influence of alliance management capability on firm performance**

This tested the direct influence of alliance management capability on the performance of Ketepa Tea Ltd. The model summary showed that  $R^2 = 0.625$ ; which indicated that 62.5% variation in performance of Ketepa Tea Ltd., was explained by alliance management capabilities while confounding factors not in the conceptualized study model accounts for 37.5% variation in the performance of Ketepa Tea Ltd. More so, coefficient analysis also indicated that there was a positive and significant effect of alliance

management capability on the performance of Ketepa Tea Ltd.; ( $\beta = 0.771$  (0.063); at  $p < .01$ ). The coefficient analysis results therefore implied that a single improvement in alliance management capabilities by Ketepa Tea Ltd., will yield 0.767 increase in the performance of Ketepa Tea Ltd. The linear regression equation was;

$$(i) y = 0.859 + 0.771x_1$$

Where;

y = performance of Ketepa tea Ltd.

$x_1$  = alliance management capability

**Table 4: Direct influence of Alliance management capabilities on firm performance**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Model Summary					Change Statistics				
					Model Summary				Change Statistics					
					R Square Change	F Change	df1	df2	Sig. F Change					
1	.791 <sup>a</sup>	.625	.621	.70241	.625	148.481	1	89	.000	ANOVA <sup>b</sup>				

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	73.257	1	73.257	148.481	.000 <sup>a</sup>
	Residual	43.911	89	.493		
	Total	117.168	90			

#### Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1	(Constant)	.886	.223		3.967	.000
	Alliance Mgt	.771	.063		.791	12.185

a. Dependent Variable: Firm Performance

#### Direct influence of dynamic management capability on firm performance

This tested the direct influence of dynamic management capability on the performance of Ketepa Tea Ltd. The model summary, showed that  $R^2 = 0.735$ ; which indicated that 73.5% variation in performance of Ketepa Tea Ltd., was explained by dynamic management capabilities while confounding factors not in the conceptualized study model accounts for 25.5% variation in the performance of Ketepa Tea Ltd. More so, coefficient analysis also indicated that there was a

positive and significant effect of dynamic management capability on the performance of Ketepa Tea Ltd.; ( $\beta = 0.707$  (0.186); at  $p < .01$ ). The coefficient analysis results therefore implied that a single improvement in dynamic management capabilities by Ketepa Tea Ltd., will yield 0.767 increase in the performance of Ketepa Tea Ltd. The linear regression equation was;

$$(i) \quad y = 1.009 + 0.707x_1$$

Where;

y = performance of Ketepa tea ltd.

$X_1$  = dynamic management capability

**Table 5: Direct influence of Dynamic management capabilities on firm performance**

#### Model Summary

Model	R	R Square	Adjusted R Square	the Estimate	Std. Error of			Change Statistics		
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.857 <sup>a</sup>	.735	.732	.59067	.735	246.825	1	89	.000	

#### ANOVA<sup>b</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	86.116	1	86.116	246.825	.000 <sup>a</sup>
	Residual	31.052	89	.349		
	Total	117.168	90			

#### Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1	(Constant)	1.009	.064		3.808	.000

Dynamic Mgt	.707	.186	.857	15.711	.000
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a. Dependent Variable: Firm Performance

### Multiple regression analysis

Linear regression analysis showing both the F values and the corresponding significant values revealed that the four independent variables (alliance management and dynamic management) were indeed different from each other and that they

affect the dependent variable (firm performance) in a different manner, hence, the possibility of running multiple regression. The mandatory model assumptions for running multiple regression analysis were also checked and met. The results were shown in table 6.

**Table 6: Multiple Regression Analysis**

Model Summary										
Model	R	R Square	Adjusted R Square	the Estimate	Std. Error of	Change Statistics				
						R Square Change	F Change	df1	df2	Sig. F Change
1	.918 <sup>a</sup>	.843	.835	.46295	.843	.843	115.171	2	88	.000
ANOVA <sup>b</sup>										
Model		Sum of Squares		df	Mean Square		F	Sig.		
1	Regression	98.736		2	24.684		115.171	.000 <sup>a</sup>		
	Residual	18.432		88	.214					
	Total	117.168		90						

a. Predictors: (Constant), Alliance Mgt, Dynamic Mgt

b. Dependent Variable: Firm Performance

The table showed the multiple regression results of the combined effects of the four independent variables (alliance management and dynamic management capabilities). The results showed that the F-statistics produced is significant ( $F=115.171$ , *significant at p<.001*), thus confirming the fitness of the model. For an  $R^2$  of 0.843, this indicated that the conceptualized study model explains 84.3% of

the variations in the performance of Ketepa Tea Ltd, while other factors not in this conceptualized study model accounted for 15.7%, thus, it was a good model.

Further, from the values of unstandardized regression coefficients with standard errors in parenthesis in table 7.

**Table 7: Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	
		B	Std. Error	Beta	t
1	(Constant)	.433	.054		7.969
	Alliance Mgt	.188	.086	.192	2.175
	Dynamic Mgt	.312	.107	.265	2.922

a. Dependent Variable: Firm Performance

### Hypothesis Testing

**Hypothesis one** stated that there is no significant relationship between alliance management

capabilities and firm performance. The study results indicated that there is a positive and significant effect of alliance management capability on the performance of Ketepa Tea Ltd.; ( $\beta= 0.188$  (0.086); at  $p<.05$ ). **Hypothesis one** is therefore rejected. The results therefore implied that a single improvement in alliance management capabilities by Ketepa Tea Ltd., will yield 0.188 increase in the performance of Ketepa Tea Ltd. The results were supported by Haunschild and Khanna (2012) who view alliance practices capabilities as a vital part of alliance management and theorise that these need to be integrated to exploit complementary resources for financial and operational benefits. For effectiveness, collaboration partners have to be working collectively to establish or achieve some common goal (Vajjhala *et al.*, 2014). Where they have a lack of trust, it can result in co-destructive effects whereby a collaborative exercise could have detrimental consequences on the organizations involved, typically at a high cost (Echeverri *et al.*, 2011; Crick, 2015).

Schilke and Goerzen (2010) view inter-organizational learning as another vital aspect of alliance management and involves transfer of knowledge across organizational boundaries. Schmidt, Keil and Maula (2012) theorize that an alliance manager's capabilities to institutionalize process for internalizing the learning from alliance partners as an indicator of alliance capability and further improve internal business operations for efficiency.

Study **hypothesis two** stated that there is no significant relationship between dynamic management capabilities and firm performance. The study results indicate that there is a positive and significant effect of dynamic management capability on the performance of Ketepa Tea Ltd.; ( $\beta= 0.312$  (0.107); at  $p<.05$ ). **Hypothesis two** is therefore rejected. The results therefore imply that a single improvement in dynamic management capabilities by Ketepa Tea Ltd., will yield 0.188 increase in the performance of Ketepa Tea Ltd. The

results were supported by Bellner (2013) who analyzes learning-based dynamic managerial capabilities alongside innovation based dynamic managerial capabilities and realises that both are highly valued by managers especially in a highly dynamic environment. Goffin and Koners (2011) view LBDMC as comprising tacit knowledge and intuition, which interacts with explicit knowledge in creating new knowledge. Martin (2011) posits that innovation-based DMCs originate from Schumpeter's innovation-based competition and play an increasingly essential role in the discovery, renewal and innovation in firm resource configuration to cope with increase in market dynamism.

The concept links heterogeneity in managerial capabilities to heterogeneity in firm performance under conditions of strategic change (Helfat *et al.*, 2013). A critical premise of a capability based approach is that capabilities not only vary across firms, but these differences are the result of management choices (Pisano, 2015). This represents dynamic managerial capabilities as crucial to strategic change since researchers have theorized that even firms with similar capabilities may perform and operate differently based on their application.

## CONCLUSIONS

First the study concluded alliance management capability significantly influences manufacturing firm performance, thus systematic formulation of long term strategy and timely response to competitive strategic moves can impact positively on the performance of a manufacturing firm.

Further, dynamic management capability significantly influences manufacturing firm performance, thus a management that efficiently responds to emerging issues and has a clear understanding of where the company is going can save a firm's performance in turbulent times.

## **RECOMMENDATIONS**

First, managers of tea processing firms should continuously engage in systematic formulation of long term strategy and timely response to competitive strategic moves can impact positively on the performance of a manufacturing firm.

Secondly, management of tea processing firms should be alert to timely respondent to emerging issues in tea processing sector and remain steady fast in the clear understanding of where the company is going so as to save the firm's performance in turbulent times.

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## **Areas for further research**

First a similar study can be done but incorporate business process reengineering in the dynamic capability model so as to compare results.

Secondly, a similar study can be done based on the latest Harvard business school normative dynamic capability model that assesses the influence of connecting strategy, technical efficiency and competitive business operation strategies that gives a manufacturing firm sustainable competitive advantage.

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