

Effect of Business Strategies on Transient Competitive Advantages of Large-scale Manufacturing Companies in Kenya

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Abstract

This study examines the effect of business strategies on transient competitive advantages (TCA) in large-scale manufacturing firms in Kenya. It was motivated by the need to understand how strategic posturing in a dynamic environment, driven by technological advancements, influences competitiveness. A correlational research design was employed, targeting 857 firms. Data were collected through structured questionnaires from 267 managers in operational, marketing, and IT departments, with a response rate of 76.8%. Descriptive statistics, correlation analysis and regression analysis were used in data analysis. The results revealed that corporate, business, and functional-level strategies have significant beneficial effects on TCA, with corporate-level strategies showing the strongest effect ($\beta = 0.415$, $p = 0.001$), followed by business-level strategies ($\beta = 0.236$, $p = 0.002$), and functional-level strategies ($\beta = 0.084$, $p = 0.02$). The regression model explained 37.4% of the variance in TCA, indicating that improving strategic alignment can enhance a firm's competitive advantage. The study concludes that large-scale manufacturing firms in Kenya need to better align their business strategies to harness the full potential of digital transformation, innovation, and resource optimisation. It recommends that policymakers and industry leaders foster a supportive environment for strategic alignment with digital transformation initiatives to enhance competitiveness and growth.

Key words: Business strategy, Transient competitive advantage, Manufacturing companies

Introduction

The manufacturing industry in Kenya experienced an annual growth rate of 3.7% between 2017 and 2022, which falls below the average annual growth rate of the overall real GDP at 4.6% (KPMG, 2023). Over the span of five years (2016-2020), it has witnessed a decline, dropping from 9.3 percent to 7.6 percent. This signifies a relatively modest performance and limited competitive edge, hindering the advancement toward the realisation of Kenya Vision 2030 and sustainable manufacturing aligned with the achievement of the Sustainable Development Goals and Bottom-up Economic Transformation Agenda (BETA) of the current government in Kenya. However, recent research by Kaluyu and Odollo (2023), has cited that Transient Competitive Advantages (TCA) are a catalyst of improved performance and sustainability.

Transient Competitive Advantage represents a departure from traditional competition models. It challenges the established frameworks such as Porter's Five Forces model and the Resource-Based View (RBV) of the firm. Porter's model suggests that a lasting competitive edge is achieved through strategic industry selection and positioning. However, manufacturing industry is inherently unstable, marked by rapid changes in technology, politics, the environment, social trends, customer behaviours, and business models, leading to transient

advantages (Bell, 2013). Conversely, TCA focuses on understanding the evolution of firm strategies in a context where advantages are becoming increasingly short-lived. This suggests that the company must propel suitable changes and transition from one wave of advantages to the next, which creates a wave of dynamic but constant advantages in dynamic environments (McGrath, 2013).

In Kenya, despite the importance of strategic posturing given the dynamic business environment, there exists scanty literature on whether companies have adopted TCA. Nevertheless, within the hospital setting, Kaluyu and Odollo (2023) discovered that the strategic aggressiveness posture impacts transient competitive advantage in private multi-practice hospitals situated in Nairobi City County, Kenya. Similarly, due to changes in technology including the advancement of industry and artificial intelligence, manufacturing firms now place a high importance on their digital transformation (Matt et al., 2022). Therefore, it is plausible to expect that manufacturing companies in Kenya, are posturing to leverage the industry digital business transformation and achieve transient competitive advantages. Digital technologies are not just “aligned but fundamentally subordinate”; instead, the main goal of digital transformation is how they may make strategic enhancements to company effectiveness (Matricano, 2021).

At the core of digital business transformation strategy is business strategy, which is a well-defined collection of blueprints, deeds, and objectives that delineate how a business engages in competition within a specific market or multiple markets, featuring one or several products or services (Lestari et al., 2020). It encompasses the creation of strategies that are customised to the company's competitive milieu, assets, and proficiencies to forge a distinctive competitive advantage. Business strategy typically includes elements such as market positioning, competitive intelligence, innovation, and customer relationships (Evans et al., 2017). Business strategy is a crucial component of digital business transformation. Business strategy could enable a company to identify opportunities to implement digital transformation initiatives that could help them gain a competitive edge (Mubako, 2017). Additionally, a business strategy can provide guidance on how to utilise digital technologies to optimise operations, increase efficiency, and reduce costs (Matt et al., 2022).

Digital transformation typically commences with a strategic overhaul of the existing business strategy, leading to alterations in business models that, when properly executed, tend to result in broader shifts in the firm's collaborative approach. Ultimately, this can lead to profound alterations in organisational culture (Jantunen et al., 2018). The dynamic capabilities theory positions business strategy as a crucial enabler for closing technological gaps, market gaps and business model gaps to achieve continuous competitive advantages (Canhoto et al., 2021). According to Evans et al. (2017) strategic posturing in business strategy aiming to leverage the digital transformation aids in reorganising current resources to realign them with the new strategy, while also creating fresh resources or obtaining access to up-to-date resources to fill gaps in the organisational resource base. Therefore, this study premised that business strategy can benefit or hinder the development of transient competitive advantages among the large-scale manufacturing companies in Kenya.

Upon search from various journal articles databases on strategic management, the authors found that studies specifically looking at the connection between business strategy and the transient competitive advantage in the context of large-scale manufacturing firms in Kenya are lacking. Given the increasing prevalence of digital business transformation in countries around the world, it is likely that there manufacturing businesses in Kenya are strategically posturing to gain a transient competitive advantage; hence a study on the nexus between business strategy

and TCA is timely and would provide practical insights for large scale manufacturing businesses in Kenya.

Methodology

The research design used in the study was correlational research design which involves the application of quantitative data and analysis methods to assess the extent and characteristics of relationships between study variables (McClintock, 2018). This design is particularly suitable when the objective is to understand the connections between different dimensions (Bell et al., 2018) such as is for this study, digital strategy and transient competitive advantage. The correlational approach allows for the examination of causal relationships between study variables using quantitative data without modifying it, aligning with a positivist methodology (Krause, 2018). The study targeted a subset of 857 large-scale manufacturing firms in Kenya, identified based on criteria from the International Labour Organisation and Kenya Association of Manufacturers. These firms constituted the unit of analysis. The focus was on 2571 managers from operational, marketing, and IT departments as the unit of observation, selected for their strategic roles in digital business transformation. This approach aimed to capture a comprehensive view and minimise potential biases in the study.

The research employed a multi-stage sampling method. In the first stage, a representative sample of 857 large-scale manufacturing companies in Kenya was selected using stratified proportionate random sampling. The second stage involved the selection of operational, marketing, and ICT managers from these firms using stratified proportionate sampling. The sample size, determined using the Yamane formula, was 348 managers, distributed proportionately across the categories. Operational managers formed a sample size of 125, marketing managers 115, and ICT managers 108. This approach aimed for cost efficiency, time management, and representative results.

In this study, TCA (dependent variable) was conceptualized as dynamic competitive advantage gained by recognising and managing change while also dropping the practices deemed to be absolute by taking advantage of the dynamics, the unpredictability, the uncertainty of environment, based on the fast development of high-technologies, and the customers' behaviour that compose the essence of the today's economy world (Stoyanova & Angelova, 2018). The indicators for a transient competitive advantage used by researchers follow the McGrath (2013) elements and processes of gaining transient advantages, which include continuous reconfiguration, resource allocation to promote adeptness, development of proficiency in innovation and a leadership mindset. Business strategy, on the other hand, was conceptualised using three distinct levels of business strategy, namely, corporate-level strategy, business-level strategy, and functional-level strategy (Ali & Anwar, 2021). Corporate level strategy is an extensive, forward-looking, action-focused, and unified plan created by upper management. Corporate-level strategies should be aligned with the long-term vision of an organisation and should encompass a variety of activities such as product development, capital investments, digital transformation, expansion and growth, takeovers and mergers, diversification, integration, new areas for investment and divestment (Attaran & Attaran, 2019).

Data collection was conducted using a structured questionnaire designed to gather quantitative information in a consistent manner. This approach, recommended by Kothari (2017) for large-sample cross-sectional studies, is in line with the scientific principles of data analysis outlined by Saunders et al. (2015) which was adopted for this study. The questions were designed in 5-point Likert-scale format. Two research assistants were selected to help in questionnaire administration, data collection and entry. This method proved instrumental in efficiently collecting reliable quantitative data aligned with the research objectives.

To facilitate data analysis, the collected data underwent preparation, coding, and entry into the SPSS version 26 data analysis programme. Descriptive statistics, including measures of central tendency such as frequency, percentile distributions, mean, and standard deviation, were computed to provide a comprehensive overview. Diagnostic tests were conducted to assess the suitability of proposed statistical models for fitting the data. The study employed correlation and regression analysis to test the null hypothesis which stated; business strategy does not have a statistically significant impact on the transient competitive advantage of Kenya’s large-scale manufacturing firms. To assess this hypothesis, the empirical model (a) was applied, and at a 5% significance level, the study would not find grounds to reject the hypothesis when $p > 0.05$ in the model:

..... (a)

Where;

TCA = Transient competitive advantage,

= corporate level strategy,

= business Level strategy,

F= functional level strategy,

= Constant term,

is the coefficient of business strategy variable and

= error term.

Results

Response Rate

Table 1 displays the response rate for the questionnaires that were distributed. Overall, from the total of 348 questionnaires administered, 267 were returned, leading to a cumulative response rate of 76.8%. According to Bell et al. (2018) a response rate of more than 70% is sufficient.

Table 1: Response Rate

Category	Administered	Returned	Percentage Returned
Operational Managers	116	97	83.6
Marketing Managers	116	86	74.1
ICT Managers	116	84	72.4
Total	348	267	76.8

Descriptive Statistics

Table 2: Descriptive Statistics for Transient Competitive Advantage

ID	Statement	Mean	Std
MF1	Our organisation is able to recognise changes in the market	2.2	1.1
MF2	Our organisation is able to adapt when faced with changes in business environment	1.7	1
MF3	Our organisation is able to maintain old customers	1.8	1
MF4	Our organisation is able to attract new customers even during the changing business environment	4.1	1.1
CR1	Our organisation agility allows to change with the trends	1.8	1
CR2	Our organisation organises itself around the available opportunities.	1.8	1
CR3	Our organisation is able to create temporary advantages over competitors	1.9	1
RA1	Our organisation proactively removes obsolete resources in competitive terms	2.3	1.1
RA2	Our organisation budgets in continuous rapid cycles	4.1	1.2
RA3	Our organisation managers understand what opportunities present advantages to the business.	3.6	1.1
PI1	Our organisation is able to innovate differential products that are valued in the market	3.6	1.3
PI2	Our organisation managers search for new growth areas	1.8	1
LP1	Our organisation considers the lost advantages as a way of freeing-up resources for new advantages rather than lost glory	4	1.2
LP2	Our organisation considers disengaging from old advantages as normal business cycle	3.1	0.9
LP3	Our organisation top leaders keep strategising on how to get ahead of the competitors	3.5	1.4
Aggregate		2.75	1.09

Overall, the aggregate mean of 2.75 suggests that large manufacturing companies have very low transient competitive advantages, brought about by product innovation, market focus, continuous reconfiguration, proactive resource allocation, innovation proficiency and leveraging of lost advantages. This implies that in a rapidly changing environment, large manufacturing companies in Kenya may struggle to attract and retain customers, struggle to adapt to changing business environments, such as shifts in customer preferences, emerging technologies, or market trends. These organisations are also at risk of disruption due to rapid technological advancements, wasted resources and missed opportunities to invest in more strategic initiatives.

Table 3: Descriptive Statistics for Business Strategy

		Mean	Std
DBS1	Our product development strategy aligns with the firm digital transformation mission.	2.4	1.2
DBS2	Our expansion and growth strategies align with the digital transformation vision and mission.	2.7	1.2
DBS3	We have dedicated resources to support our supply chain integration initiatives.	2.8	1.4
DBS4	We engage heavily in research and development	2.3	1.3
DBS5	Our corporate strategies are considered a priority by leadership.	3.0	1.4
DBS6	We regularly evaluate the success of our corporate strategies and adjust them as needed.	2.9	1.4
PB1	Our business has well-defined market positioning practices	2.5	1.1
PB2	Our business seeks to improve its competitive edge	3.2	1.4
PB3	Our business prioritises the development of innovative products/services that meet the changing needs and preferences of our customers.	3.7	1.3
PB4	We engage heavily in advertising	3.5	1.2
PB5	We engage heavily in marketing	3.2	1.4
PB6	We are heavily engaged in customer relationship management practices	3.1	1.5
PB7	Our business level strategies are considered a priority by leadership.	2.9	1.2
PB8	Our business level strategies have helped us to achieve positive results in terms of revenue growth, market share, and/or customer satisfaction.	3.4	1
AB1	Our organisation has implemented streamlined processes that effectively support the business objectives.	3.5	1.3
AB2	Our company has increased automation of the operations and processes	4.1	1
AB3	Our technology investment decisions are informed by thorough analysis of market trends and customer needs.	3.9	0.9
AB4	We aim at improving the customer service	3.4	1.4
AB5	Our technology adoption decisions are informed by a clear understanding of our business needs and goals.	2.7	1.2
AB6	Our functional strategies are regularly adapted to meet changing needs	3.7	1.3
Aggregate		3.15	1.26

Where DBS items represent corporate-level strategies, PB items represent business level strategies, and AB items represent functional-level strategies.

As displayed in Table 5, the regression model is a good fit for the data, as evidenced by the significant F-test ($\text{Prob} > F = 0.000$) and a reasonable R-squared value of 0.374. This shows that a 37.4% variation in transient competitive advantages is catered for by corporate level strategies, business level strategies and functional level strategies. The constant value of 0.147 is significant as revealed by p-value of 0.025. The corporate level strategies have the largest coefficient of 0.415, followed by business level strategies with a coefficient of 0.236, and functional level strategies with a coefficient of 0.084. All three predictor variables are statistically significant at the $p < 0.05$ level ($p = 0.001$, $p = 0.002$ and $p = 0.02$ respectively). It can be established that from the regression analysis, improvement in corporate level strategies, business level strategies and functional level strategies is likely to improve the transient competitive advantages of large-scale manufacturing firms in Kenya.

Discussion of Results

This study revealed diverse views on business strategy among large manufacturing companies in Kenya. Some firms had effective strategies at corporate, business, and functional levels, while many did not. This lack of strategy implementation contributed to their low transient competitive advantages, affected by factors like product innovation and resource allocation. The analysis showed a strong positive link between business strategies and transient competitive advantage, confirming that effective strategies enhance competitive advantage. This finding rejects the initial hypothesis and highlights the importance of strategic management for boosting competitiveness and growth in Kenya's manufacturing sector. This finding is supported by Švárová and Vrchota (2017) who found that aligning business strategy with competitive advantage benefits specific sectors. Lestari et al. (2020) also found a strong link between business strategy and competitive advantage in Small and Medium Enterprises (SMEs) in Makassar. Rehman et al. (2021) demonstrated that cost leadership and differentiation strategies enhance SME performance and risk management in Pakistan. Ilmudeen and Bao (2020) showed that business strategy, particularly through IT, boosts firm performance. Hajar (2015) found that business strategy, including differentiation and cost leadership, improves performance in the small industrial sector. According to Warner and Wager (2019), business strategies are essential components of sensing opportunities and resource acquisition, which are critical aspects of dynamic capabilities. Business strategies enable the firms to identify and evaluate potential threats and opportunities in the market. These strategies help businesses understand changing customer needs and preferences, which are vital in aligning the organisation's resources and competencies to seize emerging opportunities effectively.

Conclusion

This study concludes that the key challenge for large manufacturing firms in Kenya is the inadequate alignment of their business strategies. While some firms have effectively implemented comprehensive strategies across corporate, business, and functional levels, many others have not. This misalignment leads to inefficiencies and missed opportunities, particularly in digital transformation efforts, hence failing to identify, and seize opportunities. This challenge implies that large-scale manufacturing companies are unable to fully develop their transient competitive advantages; hence low competitiveness, low performance and consequently low percentage contribution to GDP growth. Therefore, well-implemented business strategies will positively impact transient competitive advantage of large-scale manufacturing companies. Firms with strong strategies in areas like product development and automation are better positioned to gain and maintain a competitive edge. The positive correlation between business strategy and competitive advantage proves the importance of

strategic management in enhancing competitiveness and fostering sustainable growth in Kenya's manufacturing sector.

Recommendations

The study recommends that policymakers such as the Kenya Association of Manufacturers (KAM) should create a supportive environment for digital transformation initiatives. Specifically, KAM should prioritise policies that promote and incentivise strategic alignment with digital transformation efforts. By fostering collaboration and knowledge-sharing among firms, KAM can help create a more cohesive approach to digital business transformation. Government initiatives could also play a crucial role by offering grants, tax incentives, or funding to encourage companies to invest in technological strategies. Additionally, developing policy frameworks that provide guidelines on best practices for digital transformation will aid large-scale manufacturing companies in crafting effective business strategies. On the management side, manufacturing companies should focus on implementing key practices to improve strategic alignment and transient competitive advantage. This includes investing in business strategies across corporate, business, and functional levels. Specifically, companies should work on aligning their product development strategies with their digital transformation missions by integrating digital technologies and innovation to meet evolving market demands. Allocating dedicated resources to support supply chain integration is also essential for ensuring seamless data flow, efficient logistics, and better coordination among suppliers, manufacturers, and distributors.

Conflict of Interest

We want to clarify that there are no actual, potential, or perceived conflicts of interest related to this document. Our role as authors is primarily to disseminate scholarly materials to researchers, maintaining a high degree of objectivity and integrity.

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