

**INFLUENCE OF STRATEGIC CAPABILITIES ON COMPETITIVE ADVANTAGE
OF THE MOTOR VEHICLE ASSEMBLERS IN KENYA: A CASE STUDY OF
ISUZU EAST AFRICA**

BY

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DECLARATION

This research project is my original work and has not been presented for examination to any University.

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D61/12260/2018.

This research project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

This project is dedicated to God Almighty, whose blessings and wisdom has seen me throughout the course of this important journey. I also dedicate this project to my family for the immense support, patience and love they accorded me throughout the course of this project.

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ABBREVIATIONS AND ACRONYMS

AVA:	Associated Vehicle Assemblers Ltd
CMC:	Cooper Motor Cooperation
DCT:	Dynamic Capabilities Theory
GDP:	Gross Domestic Product
GMEA:	General Motors East Africa
KAM:	Kenya Automotive Association
KNBS:	Kenya National Bureau of Statistics
KRA:	Kenya Revenue Authority
KVM:	Kenya Vehicle Manufacturer
IEA:	ISUZU East Africa
RBV:	Resource-Based View theory
R&D:	Research and Development
TKL:	Toyota Kenya Limited (TKL),

ABSTRACT

The main goal of the research was to establish the influence of strategic capabilities on competitive advantage of motor vehicle assemblers in Kenya. Anchored on Resource-Based View (RBV) and Dynamic Capabilities Theory (DCT), a case study research design was adopted and Isuzu East Africa was identified as the population of the study. Interview guide research instruments were used to collect data from the managerial staff who were the target population. The data collected were subjected to analysis technique to draw inferences from the responses obtained from the eight-managerial staff interviewed. The interview questions sought to obtain information on strategic capabilities possessed by Isuzu East Africa and how these strategies enhanced the competitive advantage of the company. Findings from the study demonstrated that Isuzu East Africa possess strategic capabilities in key functional areas including product innovation, finance and human resources. The study affirmed that the company is leveraging on these competencies to enhance its competitive advantage in the Kenyan motor vehicle assembling industry. The strategic capabilities in product innovation for instance have seen the company develop good reputation among target customers for the performance and utility of its products that are well suited for the Kenyan market, while the strategic capabilities in finance and human resources have also helped the company entrench its competitive position in the Kenyan automobile industry as it can easily respond to changes in the business environment. Conclusively and by basing on the outcome of the study, it is evident that motor vehicle assemblers in Kenya face stiff market competition and therefore are recommended to develop strategic capabilities in product innovation, finance and human resource for them to attain competitive advantage in the Kenyan automobile industry.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The environment of business has greatly grown and become very competitive, dynamic as well as challenging over a spread period of time. For this particular reason, many companies are consistently seeking to establish excellent performance by entrancing their performance levels to the requisite market need by generating enough capacity to enable them compete favorably (Huges & Smith, 2023). Companies currently compete in acquisition of market shares through attainment of top-notch technological know-how, introduction of customer tailored products into the market while addressing the challenges customers face in course of fulfilling their personal and business needs (Harsch & Festing, 2020).

The study centered on Resource-Based View theory and Dynamic Capabilities Theory. Coined by Penrose (1959), RBV and brought into focus the role of resources in organizational performance. According to the theory, firms seeking to achieve competitive advantage in a given market or industry must possess rare, unique valuable, and inimitable resources. For this to happen, the theory further argues that these resources must be deployed and used effectively. In addition to resources, Dynamic capabilities theory (DCT) suggests firms seeking to attain competitive advantage must continuously, re-engineer, reconfigure and rebuild organizational capabilities that may include human resources, financial capital, technological and intellectual resources (Rotjanakorn, Sadangharn & Na-Nan, 2020). Thus, a competitive advantage is attained through meticulous combination, reconfiguration and re-engineering of organizational capabilities to suit the needs in the market. Spanos and Lioukas (2019) argued that competitive advantage is entrenched in an organization by identifying a set of strategic capabilities upon which a firm's competitive strategy can be based and built upon. For example,

a firm's resource and strategic capabilities might include technological innovations, R&D capabilities, financial, and human resources capabilities.

The automobile industry is acknowledged as a key driver of the global economy, meaning its performance and development is key to attainment of economic growth targets (Khisu and Kariuki, 2020). The relevance of the automotive industry in economic growth (Nurcahyo & Wibowo, 2015), means understanding strategic factors that affects its performance and competitive advantage with respect to stiff competition from international markets and operational constraints is extremely important. In Kenya, the automotive industry face various challenges which has over the years affected the performance and competitiveness of motor vehicle assemblers based in the country to compete favorably with vehicle imports from various countries around the globe. The vital role the automobile industry plays in Kenya's economy including support for other industries including transport, manufacturing, agriculture, and service necessitates the need to determine the various strategic capabilities possessed by motor vehicle assemblers in the country how these capabilities affect their performance and ability to compete against well positioned players in the global automobile industry. The comprehensive understanding of the key strategic capabilities possessed by the motor vehicle assemblers in the country and its relationship with performance and competitiveness of these firms are underscored by the dynamism of the industry.

1.1.1 Strategic Capabilities

This is the ability of the firm to expand and sustain itself on the market (Eshima & Anderson, 2017). Strategic capabilities can also be understood as set of resources, skills, and knowledge at a disposal of firm for which it can utilize to increase market size, enter new markets, attain

competitiveness in a given market, and enhance overall performance with respect to competitiveness (Papulova & Papulova, 2006). Strategic capabilities are defined as compressive set of complex skills and knowledge accumulated by firm over the years which allows it to coordinate its operations in a way that it can derive competitiveness in a given market or industry. In a business environment that is growing competitive, dynamic and challenging each day, Spanos and Lioukas (2019) make case because firms seeking to entrench their competitiveness in a given market and industry to develop or acquire set of strategic capabilities uniquely assembled to meet identified needs, challenges or opportunities.

Strategic capabilities are also visualized as multidimensional as it encompasses all the key elements an organization requires to constitute successful operations including human resources, processes, and technologies (Hughes and Smith, 2023). The extent to which a firm's capabilities can be termed strategic is dictated by the degree to which these capabilities is aligned to its overall strategy or allows it to accomplish its mandate effectively and efficiently. The globalization of the automobile industry means firms seeking to entrench their performance and competitiveness in selected markets have to widen the scope of what constitutes strategic capabilities and how well these capabilities can be deployed in the face of increased competition, regulatory and operational challenges (Rotjanakorn, Sadangharn & Nan, 2020). When evaluating strategic capabilities, Spanos and Lioukas, (2019) suggest evaluating it from resource, skills and knowledge angles. In this regard aspects such as technological innovation, business processes and model and human resources may all be developed and deployed as strategic capabilities capable of enhancing a firm's competitiveness in a given market or industry.

For Khalaji (2019), a firm's strategic capabilities constitute resources developed or acquired by a firm to cope with operational requirements in a given market. He goes on to state, competitive advantage as function of three key functional areas, namely; innovation, financial and human. Davila and Robert (2019) argue firms develop competitive advantage by continuously re-designing and re-engineering their strategic innovation capability to cope with competitive pressures and changes in customer preferences over time. According to Oliver, Howard, and Goussevskaia, (2018), strategic capabilities in financial resources is key to developing to effective deployment of other strategic resources.

Strategic capabilities in financial resources are extremely vital for survival during difficult economic times where a firm may have to resort to retained earnings and other sources of capital to stay afloat or undertake change strategy designed to align a firm operation with changes in the operational environment. Financial planning forecasted sales and expenditures ought to be easily adjustable and flexible to align budgeting with firm's strategy and pressing needs whose execution is key enhancing a firm's competitiveness and ability to respond to pressures in the operating environment. Case for strategic capabilities in human resources has been laid by various scholars who argue it being one of the most important resources for successful execution of firm's strategy and attainment of competitive advantage. Wulaningrum, Akbar and Sari, (2020), for example state capability in human capital entail possession of skilled and experienced personnel in key competency areas such as R&D, marketing, product innovation, production operations and so forth. They argue highly skilled, experienced and disciplined workforces as being key to attainment of firm objectives including competitive advantage.

1.1.2 Competitive Advantage

A firm's competitive advantage in a given market or industry is related to attainment of distinctive capabilities that enable the firm to consistently post improvement in its performance relative to previous periods and competitors (Rumelt, 2003). Porter explains competitive advantage as being at the heart of firm's ability to survive and grow in highly competitive markets. Porter (1990) visualizes competitive advantage in terms of costs of production, innovation capacity, and ability to excel in niche markets. Competitive advantage is also visualized in term of distinctive capabilities that sets a firm apart from its competitors (Petaraf, 1993). For Barney, (2002), a firm attains competitive advantage by engaging in actions that create greater value relative to the costs incurred or at a lower cost relative to competitors. He tied competitive advantage to performance, such that a firm with a competitive advantage in a given market is more likely to register greater performance relative to rival firms.

Competitive Advantage is also defined in terms of rate of return on investments earned by a company in comparison to competitors with greater level of resources. In other words, the issue of efficiency in production processes and service delivery is central to attainment of competitive advantage. Therefore, a firm that is able to achieve greater rate of return on assets and capital relative to competitors over sustained period is considered to have competitive advantage over competitors. Barney (2001) argues that competitive advantage is assessed by the size of assets it owns and controls, ability to control operating costs, pricing power, innovation capacity and ability to adapt to changes in operating environment swiftly and effortlessly.

The concept of competitive advantage as presented by Porter and Magretta (2014) is grouped into three generic strategies, namely; cost of product or what is called low-cost strategy, differentiation strategy, and focus strategy where a firm seeks to satisfy the needs to particular niche market or segment. The choice of competitive strategy chosen by a firm to entrench its position in particular markets is dictated by the level of strategic capabilities and resources at its disposal in comparison to competitors. A firm deploying low-cost strategy has an excellent and state of the art production system and processes capable of producing products at cost lower than the market or industry average (Ali & Anwar, 2021). On the other hand, firm deploying differentiation strategy must have invested in R&D capabilities, innovation as well as marketing capabilities such that customers are able to perceive superior qualities that makes particular products or services to stand out against what is offered by other firms in a given market. Focus strategy entails using elements of both low cost and product differentiation strategy while focusing on a niche market that is able to pay a premium price or is underserved (Ali & Anwar, 2021).

Based on arguments presented above and the findings of this study, it is apparent that a competitive advantage enjoyed by a firm in a given market or industry is dictated by several factors, starting with strategic resources in a firm's possession, innovation capacity, and human personnel competencies. Firms attain competitive advantage by acquiring superior technologies relative to competitors, aligning firm strategy to operational factors, engaging in product and service innovation, accumulation of adequate strategic resources. Evaluation of competitive advantage also entails identification and isolation of strategic capabilities that differentiates it from competitors and enables to respond appropriately to changes in the operating environment (Kamukama, 2013). Helfat et al., (2009) suggest that for firms to attain

competitive advantage, they should ensure strategic fit of resources and capabilities possessed and the opportunities and challenges in the external environment. Measures that are used to assess competitive advantage include market share, profitability, and efficiency in terms of use of resources to generate return.

1.1.3 Isuzu East Africa Ltd

Until August 2017, Isuzu East Africa (IEA) was known as General Motors East Africa, (GMEA). The change of the name of the company following IEA, parent company, Isuzu Motors Ltd, a Japanese automobile company acquiring 57.7% majority stake at GMEA, from General Motors (Iganza, 2017). Trading under the name Isuzu, the company has been operations since 1977 when General partnered with the Kenyan government establish a local motor vehicle assembly plant for the Kenyan and East African market. Having acquired majority stake at GMEA, Isuzu is today the largest motor vehicle assembly in the Kenya market controlling about 40% of all new vehicle sales or about 4,000 units per year. Besides Isuzu branded motor vehicles including pickups, light and heavy-duty trucks and buses, Isuzu product portfolio comprises of other leading brands such as Chevrolet.

The fact that Isuzu controls assembly and distribution of GM units, Chevrolet and its own Isuzu branded units accords it a competitive advantage in the Kenyan automotive industry which is characterized by stiff competition from various assemblers as well imports of used vehicle units mostly from East Asian markets such as Japan and Korea as well as Europe. Despite this strong position the Isuzu enjoys in the Kenyan market, motor vehicle assemblers in the country are yet to gain substantial share of market a situation that is contribution by popularity of used vehicle units in the country against locally assembled units. Even with policy pronouncement

from the Kenyan government in support of local assembly and Isuzu having majority stake in the market, the company still operates under capacity, thereby making it necessary to develop strategic capabilities of the motor vehicle assemblers to attain competitive advantage against international competition and handle challenges in the operational environment.

1.2 Research Problem

The companies seeking to establish their competitiveness in the industry must be in good position to possess great strategic capabilities. Strategic capabilities are also visualized as multidimensional as it encompasses all the key elements an organization requires to constitute successful operations including human resources, processes, and technologies (Hughes and Smith, 2023). The extent to which a firm's capabilities can be termed strategic is dictated by the degree to which these capabilities is aligned to its overall strategy or allows it to accomplish its mandate effectively and efficiently. Greatly successful brands like Toyota and General Motors have been able to entrench their competitive levels in their industry by ensuring that they acquire and build stable set of strategic capabilities that is designed to meet the needs of the industry. While Khisa and Kariuki, (2022) established strategic alliances as having a positive impact on the operations of automobile companies in Nairobi County, the duo failed to look at the issue of competitive advantage which is key to the overall performance of the Kenyan automobile industry.

Focusing on the automobile industry, Tsindi, (2016) examined whether implementation of green strategies enhanced competitive advantage of automobile players based in Nairobi County. Despite acknowledging that significant level of adoption of green strategies such as energy efficiency, clean technologies and use of renewable energy had positive impact on

competitiveness, focus on strategic capabilities was also identified as necessary in enhancing the competitiveness of the motor vehicle assemblers in the country. Strategic capabilities have also been found to be positively correlated with competitive advantage as stated by Imbambi (2018) among sugar firms in Western Kenya. On the other hand, Oswago (2018) established strategic capabilities among management team as being positively correlated with performance of financial institutions in Kenya.

Despite several scholars having examined how competitive advantage is associated with strategic capabilities, the major focus of majority of research works have been skewed to the other economic sectors. This has therefore necessitated the great need focus this study on motor vehicle industry. Even though Kriuki & Khisa majorly focused on issues of competitive advantage in vehicle assembly, independent variable was only limited to the strategic alliance. Conversely, Tsindi (2016) focused his area of study on green strategies. This means that the research was majorly concentrated on assessing the impact of efficiency on the competitiveness of automobile sector in Kenya. This particular study however focused on seeking answers the following research question, “How does strategic capabilities influence competitive advantage of motor vehicle assemblers in Kenya?”

1.3 Objective of the Study

The objective of this study was to assess the influence of strategic capabilities on competitive advantage of motor vehicle assemblers in Kenya, a case study of Isuzu East Africa.

1.4 Value of the Study

Findings of this study will enable makers of policies such as the government and other decision makers to develop supportive policies and regulations aimed at creating an enabling business environment. This will eventually give confidence to investors to pump more cash in the industry. Further, it will also inform government policies on motor vehicle assembling, roads and infrastructure development, skill development, promotion as well as skill development to be able to promote local consumption.

The findings will also help the motor vehicle assemblers to better get an understanding of the influence as well as impact these strategic capabilities in enhancement of the competitive advantage in the sector. The research will inform the industry contributors on the capabilities that they require to develop their individual competitive advantage on the market. Additionally, Motor Vehicle Assemblers will also formulate strategies to enhance their capabilities on the findings of the study.

The research will also be of great use to scholars and academicians who may use the information and literature to develop right syllabus for efficient and effective strategic management of students as well as researchers. conclusively, the study outcomes are useful in providing relevant information in regards to key strategic capabilities that can be used within Kenyan motor vehicle assembling and how these strategic capabilities are greatly likened to the competitiveness as well as performance of the sector that is greatly considered important towards development of country's economy.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviewed literature in the area that covers competitive advantage and strategic capabilities. The chapter incorporates relevant theories that the research is anchored on. The study further offered review of past research work on competitive advantage of motor vehicle assemblers. The literature is well presented for great understanding of the concept as well as gaps that the study is looking forward to fill

2.2 Theoretical Review

The principal aim of theoretical review is to develop an understanding the how existing theories and literature relate with research problem being examined in this study. Therefore, theoretical reviews provide an overall understanding on the intersection between theory, practice and research problem being assessed in this research. These theories are very vital to this study as they elaborately explain variables as well as their interactions.

2.2.1 The Resource-Based View

RBV theory was first coined by Penrose (1959). The theory postulates firms seeking to attain superior performance and competitive advantage relative to competitors must invest in strategic resources. The theory then lays down criteria for which firm resources can be described to be strategic if it possesses the following characteristics; unique to the firm, rare, inimitable and highly valuable (Barney, 1991). Based on this theory, firms' resources include financial, skilled workers, management team and systems, innovations, patents, trade secrets, knowledge among other assets that enhance a firm's value. As postulated by Penrose (1959) and Barney (1991),

the key issue with regard to RBV theory is availability and utilization resources with view of gaining greater performance. Therefore, the theory makes an assumption that firms that are resource-abundant are likely to have competitive advantage relative to rival firms with less level of resources. RBV also makes assumption resources are unique to a firm, which might not be true given the dynamism of today's business environment.

RBV is related to the current study for it helps elucidate the role of resources in attainment of superior performance and competitive advantage. While not all resources are inimitable and unique to a firm, some such as technological innovation, product and service innovation, human capital, skills, experience and even financial capabilities may be unique to firm in terms of how they are managed. In other words, efficient and effective use of a firm resources may afford a firm specific strategic capability that is exclusive to a firm, thereby enabling it enjoy competitive advantage relative to rival firms. This view has also been argued by Kraaijenbrink, Spender, and Groen (2010) who urged firms to invest in R&D activities and innovation as the basis for attaining and sustaining competitiveness relative to competitors. Based on objectives of this study, attainment of competitive advantage within the Kenyan automobile industry may be explained by the level and type of strategic capabilities at the disposal of players within the industry. In other words, firms with rare, unique, not easily imitable and highly valuable resources including human capital, skills, knowledge, technology, patents and finances as being at better competitive position relative to rival firms. Based on the RBV theory, the study argues motor vehicle assemblers with highly experienced and skilled management team and state of the art business processes including model as being at a competitive advantage compared to competitors.

2.2.2 The Dynamics Capability Theory

Dynamic Capability Theory (DCT) is associated with Teece (1990) who expressed possession of resource alone not being a guarantee for superior performance and competitive advantage. According to DCT, firms seeking to attain superior performance and competitive advantage in the market must possess dynamic capabilities (Rotjanakorn, Sadangharn & Na-Nan, 2020), which Teece (1990) explains as ability to adapt to needs and adjustments in business setting swiftly and effortlessly. Therefore, dynamic capabilities afford a firm the ability to take benefit from prospects in the business environment while at the same time helping it defend its position in the phase of adversity.

Teece, (1990) makes an argument that businesses ought to consider the changing environmental pressure and the great need to strategize. This enable the businesses to be able to adjust and reconfigure inline with type of skills required to overcome turbulence in a given market. In contrast to industrial rivalry or a company position, was conceptualized by Teece et al. (2007) as competition in the environment's rapidly changing pressures as a type of dynamic capacities. The term "dynamic" was greatly used in description of how corporations should be reorganized to maximize their competence to ensure that they keep up with recurring environmental forces.

According to Porter's Five Forces paradigm from 1990, the structure of the market is not important when it comes to dealing with the issues of dynamic capabilities. Porter explains that business increases its level of competition through change of internal systems as well as procedures to enable them innovate even more. Porter explains that dynamic capabilities incorporate mandates as well as analytical tasks as well as their function in growth of

companies. The theory guided the research in determining the impact of strategic capabilities on the competitiveness of motor vehicle assemblers in the country.

2.3 Strategic Capabilities and Competitive advantage

Influence of human resources on competitive advantage has been examined by several scholars. Using random sampling technique and sample size of 300 human resource managers drawn from nine multinational corporations based in New Delhi, Indian capital, Khandekar and Sharma (2015) examined the role of human resource on building of competitive advantage. Findings revealed a positive correlation between human resource capabilities and performance of the firms that had been incorporated into the study, which together a positive impact on competitive edge enjoyed by these firms in the Indian market.

Utilizing explanatory design, and focusing on Nairobi County, Bartocho (2016) explored the effect of workforce capabilities on performance of courier service companies in Kenya. Results from the investigation which encompassed a sample size of 339 employees selected from a total population of 2800 working with 109 courier firms based in Nairobi City, the study revealed a positive correlation between the predictor and outcome variable. While this relationship is positive, the study concluded that it was insignificant meaning strategic capabilities in human resource alone are insufficient to guarantee employee performance.

King'oo, Kimencu and Kinyua, (2020) examined strategic competences and competitiveness privately owned universities and colleges in Kenya. To examine the research problem, the study targeted academic and management staff among all the 31 private universities in Kenya. The sample frame for this study constituted of faculty staff, dean of students, registrars, finance

and human resource managers where a total sample size of 153 respondents was established. Using semi-structured questionnaires to collect data, results from the study revealed strategic capabilities as being positively correlated with performance. Based on the findings, the study advised private universities in the country to acquire and develop competencies in information technology, human resource, networking and intellectual capabilities if they are to attain and sustain their performance.

Taka (2021) examined strategic capabilities of manufacturing companies in Kenya and how these capabilities influence the competitive strategies deployed by these firms. The study comprised of 544 for individuals working with manufacturing firms in Nairobi County. Results from the data analysis revealed strategic capabilities in raw materials sourcing as being critical to competitive strategies deployed by these firms. Management capabilities in terms of knowledge, skills and experience was established also to have a significant influence on the performance of manufacturing firms in the country. Further, capabilities in technology and innovation were also found to empower organizational performance among these facilities. Based on the results, the study recommended manufacturing facilities in the country to invest in relevant capabilities including managerial/leadership, raw material sourcing, technology and innovation if they are to entrench their performance and competitive capabilities.

Rugraff (2012) used analytical approach to examine new competitive advantage among automobile manufacturers in Czech Republic. Focusing at case of Volkswagen-Skoda in Czech Republic, the study established competitive advantage among automobile manufacturers as crucially being influenced by a combination of factors; relational rent which refers to cooperation between the company and global suppliers and switching rent which relates to

absence of implications in the relationship with lower tier suppliers. Findings on this study bring into context the role of suppliers in the success of automobile manufacturing activities where cooperation with global suppliers as being imperative to the organizational performance and attainment of competitive advantage within the industry.

Han (2021) examined how Tesla Motors, the most valuable automobile company in the world based on market capitalization value that is greater than Toyota, the leading manufacturer of automobile in terms of units sold, revenues and profits achieves competitive advantage in an industry that is highly competitive. The study states Elon Musk's leadership capabilities as one of the key strategic capabilities that has seen Tesla, manufacturer of all electric vehicles attain competitive advantage against cutthroat competition and criticism of the company's early struggles which Elon Musk had at one described as "production hell" in reference to the company's inability to meet production targets. Used of differentiation strategy in products offered as well as marketing where the company utilizes direct sales, offers services and good network for charging its vehicles in key markets as being central to its success and gaining a competitive advantage in the electric segment of the global motor vehicle assembly.

Nurchahyo and Wibowo (2014) examined manufacturing capability, strategy and the performance of the automotive components manufacturers in Indonesia. Utilizing structural equation modelling techniques, and focusing on component manufacturers based in the country's capital, Jarkata, the study established manufacturing capability as having a significant influence on strategy deployed by these firms. Both manufacturing capability and strategy deployed was found to have a significant and positive influence on the performance of

automobile component manufacturers in the country. For purpose of the present study, manufacturing capability comprise of cost delivery, flexibility and quality.

Utilizing a case Tata Motors, Malagihal (2021) examined strategic capabilities among automobile manufacturers of Indian origin have managed to create and sustain competitive advantage in the global motor vehicle assembling. Results from the study reveal existence of stiff competition among automobile firms in the Indian market. Key strategic capabilities that have seen Indian firms gain and sustain competitive advantage in the Indian market include effective management of staff starting with top level management hierarchy, investment in technology, and use of strategic partnerships with other players in the industry. Based on findings, the study suggests scaling operations to niche markets around the global as one of the ways Tata Motors can sustain its competitive in manufacture of automobile parts. Investing in digital technologies has also been recommended as being key to competing in a global motor vehicle assembling which continues to grow competitive each day.

Efrat et al. (2018) examined the influence of dynamic capabilities on competitive advantage of Chinese export-based companies. Utilizing a survey research design, the study sampled a total of 213 export firms in the country to examine the research problem. Findings from the study indicate innovation, as being positively linked to competitiveness of these companies in the global export business. Results from this study are similar to that of Al-Hawary and Al-Syasneh (2020) who established strategic capabilities as having positive influence on the performance of luxury hotels in Jordan. Findings from the study showed all dimensions of strategic capabilities examined as having a significant impact on strategic entrepreneurship among employees and overall performance of 5-star hotels in the country.

Nusair et al. (2021) examined strategic capabilities possessed by Omani manufacturing and service SMEs and how these capabilities were related to performance. Findings from the study indicate strategic capabilities as having positive association with firm performance and customer satisfaction. Results from this study are similar to that Kamau, Senaji, Eng and Nzioki (2019) who examined strategic capabilities of commercial banks in Kenya and how these capabilities are related with competitive advantage. Results from the study showed knowledge management, information technology, and operational flexibility strategic capabilities as being positively and significantly correlated with competitive advantage among commercial banks in the country.

Chekole and Deya (2019) examined the strategic capabilities by IT firms in Nairobi County correlate with their competitiveness. The study established financial resources, knowledge management and cost efficiencies capabilities as being positively and significantly correlated with competitive advantage. While human resource capabilities were significantly associated with attainment of competitive advantage among IT firms in the city, the relationship was inverse meaning the predictor variable alone cannot be used enhance competitiveness of these firms.

Similarly, Imbambi (2018) who examined the influenced of strategic capabilities on the competitiveness of sugar manufacturers in Western Kenya found a positive and significant association between the predictor variables; technology and material capabilities with the outcome variable, competitive advantage among these firms. Government policy and regulation which was including a mediating variable was equally established to have a positive

and significant relationship with competitive advantage among both IT firms in Nairobi County and sugar companies in Western Kenya.

2.4 Summary of Literature Review

The chapter provided intersection between theory and practice with respect to the research question examined in this study. Review of RBV and DCT theories brought into context the role of resources and dynamic capabilities in development of competitive advantage. Specifically, RBV theory postulates firms seeking to attain performance objectives and competitiveness in a given industry must develop or acquire strategic resources such as technology, financial resources, knowledge and skills, R&D capabilities and production competencies. DCT theory added that firms should also focus on developing dynamic capabilities such as management competencies, strategic alignment, business planning and strategic planning.

Findings from review of literature identified important findings regarding the association between strategic capabilities and competitive advantage across various firms and industries including automobile, banking, and manufacturing. Among automobile firms, Rugraff (2012) established strategic capabilities in supply chain relationship with global suppliers as being key to performance and competitive advantage enjoyed by Volkswagen-Skoda manufacturing plant in Czech Republic. Han (2021) established Elon Musk leadership capabilities as having played a key role in the company's success in overcoming what the Musk, Tesla's CEO had at one point described as production hell. In Indonesia, Nurcahyo and Wibowo (2014) established manufacturing capabilities measured using manufacturing costs, delivery timelines, flexibility in production, and quality as having a significant impact on competitive advantage of motor

vehicle assembling firms in the country. For Tata Motors in India, Malagihal (2021) established effective management of staff especially at top level as key strategic capability that has seen the company compete favorably with international brands in the Indian market.

In Kenya, the relationship between strategic capabilities has been examined by Kamau, Senaji, Eng and Nzioki (2019) who examined strategic capabilities of commercial banks in Kenya. Chekole and Deya (2019) examined the relationship between strategic capabilities and competitive advantage among IT firms in Nairobi County where financial resources, knowledge management and cost efficiencies capabilities were found to have a positive and significant relationship with competitive advantage. Similarly, Imbambi (2018) established a positive and significant relationship between technology and material capabilities with competitive advantage among sugar firms in Western Kenya. Despite several studies have examine the relationship between strategic capabilities and competitive advantage, there is apparent gap when it comes to motor vehicle assembling, whose development and success is considered critical to the growth of Kenya's GDP.

Suryani, Iramani and Awati, (2016) examined the influence of financial capabilities among SMEs in Indonesia. Utilizing questionnaires research instruments to collect data, the study established financial capability as being positively correlated with performance of SMEs in the country. Specifically, financial capability was found to have a positive relationship with sales and profitability among SMEs in Indonesia. Base on the findings, the researchers recommended SMEs in the country to focus on entrenching their financial capabilities if they are to experience superior performance and competitive advantage against established players. Financial capabilities were also found to have a significant influence on the firm performance

by Shubita and Alsawallah (2012) among manufacturing companies in Jordan. The study found highly profitable firms as having greater financial capabilities and most utilize equity as their main source of funding with debt funding used mostly in critical situations.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section describes the methods of research used in the examination of research problem. This ranges from design of research, sampling, population, the process of collecting data as well as analysis the methodology makes a description of how the research was done the steps included design of research, population of research, method of collecting data as well as analysis.

3.2 Research Design

According to Orodho (2012), a research design is an outline that is used to generate answers to research problems. This study adopted a descriptive case study research design with Isuzu East Africa being the focus of the study. A descriptive case study design was deemed suitable to assess the research problem under consideration for it allows for an in-depth examination of the key strategic capabilities the company has deployed over the years and how this has translated to competitive advantage, especially given Isuzu East Africa prides itself as the leading motor vehicle assembler in Kenyan market with about 40% market share or 4,000 new unit sales per year.

A descriptive case study design was also deemed appropriate as it allows utilization of both primary and secondary data. The fact that case study approach is focused on a single organization meant it was able to provide multiple perspectives concerning the specific strategies adopted by motor vehicle assemblers in the country to attain competitive advantage,

especially in the face of stiff competition from imported vehicle units and challenging operational environment.

3.3 Data Collection

To effectively capture the strategic capabilities that has been acquired or developed by Isuzu East Africa as part of its strategy to attain competitive advantage in the Kenyan automobile industry that is characterized by stiff competition between various assemblers and imported units, this study utilized both primary and secondary data. Primary data was collected from all the three levels of management at the company; senior, middle and lower level. On the other hand, secondary data was collected from company publications, press release statements, and published journal articles.

The study utilized in-depth interview data collection method to collect primary from the managerial level staff. The study settled on in-depth interview as the preferred data collection technique as it is best suited to collect qualitative data, providing multiple perspectives and viewpoints with regard to the research problem examined in the study. The study settled on managerial level staff as point of reference or study sample frame because these individuals are directly involved in strategic planning, implementation and overseeing of day-to-day operations with regard to how company resources can be utilized or deployed to generate competitive advantage. The fact that these individuals also possess technical and leadership experience by virtue of their years and educational backgrounds as well years in the industry is also bonus to the study.

3.4 Data Analysis and Interpretation

Since the study was based on qualitative data, the study adopted content analysis technique to analyze data collected from the in-depth interview guides and various secondary data sources that were deemed appropriate and relevant to research problem being studied. For secondary sources, the researcher utilized key words such as strategic capabilities, competitive advantages, competitiveness, business planning, resources, technology, and innovation to source to inform choice of data sources.

Once data was collected from the in-depth interview guide and secondary data sources the researcher with the help of research assistants embarked on sorting, coding and checking data for completeness. The data collected was also checked for clarity, consistency, and relevance with regard to study objective. Once coding was completed, content analysis was undertaken to enable the researcher arrive at key strategic capabilities adopted by Isuzu East Africa and how these have translated to competitive advantage for the company. The content analysis technique was also utilized for it allows the researcher to systematically make inferences about the study objectives, making trends and arriving at appropriate conclusion concerning the effect of strategic capabilities on competitive advantage of motor vehicle assemblers in the country, specifically Isuzu East Africa, which is the point of references for this study.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The chapter presents results of the data analysis, interpretation and discussion of the study findings with respect to relevant literature. Using a case study design and a case Isuzu East Africa, this study had sought to establish the influence of strategic capabilities on competitive advantage of motor vehicle assemblers in Kenya. Owing to the choice of the research design, the study utilized interview research instruments to collect data from study respondents who comprised of key management personnel working at Isuzu East Africa. In total, the study interviewed eight management personnel working finance, operations, marketing, and human resource departments for their opinions with respect to strategic capabilities possessed and developed by the firm and how this has translated to competitive advantage.

4.2 Respondents Profile

Respondents profile information assessed by the study included gender, age, level of education and number of years the interviewee has worked in the firm. Respondents who took part in the study held different managerial positions, a mix that enabled to the study to obtain detailed information and multiple perspectives concerning strategic capabilities that has been implemented by the firm and how this has translated to competitive advantage for Isuzu East Africa. As noted in the introduction section, the managerial staff interviewed were spread across four key departments; finance, operations, marketing and human resource.

4.2.1 Gender Distribution

Concerning gender of the respondents, six or 75% of the managerial level staff that were interviewed by the researcher were of the male gender while the remaining two or 25% of the respondents were of the female gender. Based on this information, it can be argued that majority of the managerial level staff at Isuzu East Africa are of male gender, while minority are of the female gender. These findings are similar to that of Taka, (2021) who established majority of managerial level staff at operations departments among manufacturing firms in Nairobi City at 87.6% being of male gender while only 12.4% of them being of the female gender.

Table 4.1: Gender Distribution

Gender	Number	Percentage
Male	6	75%
Female	2	25%
Total	8	100%

(Researcher, 2023)

4.2.2 Age Distribution

Besides gender, the researcher also profiled managerial level staff interviewed according to their age, with the first age category, 18-35 years having only one respondent, five respondents indicated fell in the age the second age category, 36-50 years while two respondents belonged to the last age group. Based on this finding, it is apparent that majority of the managerial level staff that were interviewed in this study at 62.5% were aged between 36 to 50 years, 25% were

above 50 years of age while only 12.5% were of the first aged category, 18–35-year age category.

Table 4.2: Age Distribution

Age in Years	Number	Percentage
18-35	1	12.5%
36-50	5	62.5%
Above 50	2	25%
Total	8	100%

(Researcher, 2023)

4.2.3 Level of Education

The study also sought to establish the highest level of educational attainment for the eight managerial level staff that agreed to participate in the study. Results indicate a majority of the respondents interviewed had university degree as their highest level of educational attainment while two 25% were post-graduate holders and a similar number and percentage were diploma holders. Based on this finding, it is apparent that managerial staff at Isuzu East Africa have the requisite education needed to carry their duties effectively.

Table 4.3: Level of Education

Highest level	Number	Percentage
Below College	Zero	0.0%
College (Diploma)	2	25%
University Degree	4	50%
Post-Graduate	2	25%
Total	8	100%

(Researcher, 2023)

4.2.4 Number of Years in the Firm

As part of respondent's profile, the study sought to establish the number of years the managerial level staff interviewed had worked with Isuzu East Africa. Results from the information gathered from the interview indicate majority of the respondents, four or 50% had worked with the company for a period of 11 to 20 years, three or 37.5% of the interviewed staff had been with the company for a period of 6 to 10 years, and one or 12.5% had been with Isuzu for less than five years. While results show none of the interviewed staff had been at the company for a period of more than 20 years, the fact that majority had of the managerial level staff had been at the company for a period of 11 to 20 years and only one of the interviewed staff had worked at the firm for less than five years suggests the company has excellent human resource capabilities.

Table 4.4: Number of Years in the Firm

Number of Years	Number	Percentage
5 and less	1	12.5%
6 – 10	3	37.5%
11 – 20	4	50%
More than 20	0	0%
Total	8	100%

(Researcher, 2023)

4.3 Strategic Capabilities Analysis

Using a case study of Isuzu East Africa, this study had sought to establish the influence of strategic capabilities on competitive advantage of motor vehicle assemblers in Kenya. As guided by the interview guide, the study sought obtain information from the study respondents concerning innovation capabilities, financial and human resource capabilities that has been developed and deployed by Isuzu East Africa and how this has translated to competitive advantage for the firm. In other words, this chapter presents results from the interview session the researcher held with the eight managerial level staff that had been purposely sampled in line with the study objective and the research gaps that the study had sought to fill as outlined in the problem statement.

4.3.1 Innovation Capabilities

Innovation, in what Atalay, (2013) describes as deliberate initiatives, techniques or solutions designed to enhance the appeal, quality or value of products and services offered to customers

was assessed using a set of six semi-structured interview questions. These interview questions were designed in such a way that they touched on various aspect of innovation including product innovation, processes, information technology and to the extent the firm has integration innovation as driving force of its operations.

The first item under this section sought to establish whether Isuzu East Africa has put in place elaborate capabilities with regard to product innovation. Responding to the question, product planning and engineering executive responded;

“Isuzu East Africa owes its leadership position in the Kenyan and entire East African motor vehicle assembling industry to years of investment in product innovation. Our product innovation strategy is quite simple, provide solutions that solve specific problems facing our target customer”.

Responding to same question, sales and marketing manager in charge of commercial units equipped, *“the company has elaborate product innovation strategy that sees heads of various departments including product and innovation, operations, finance, strategic planning and marketing work in tandem to develop products and services that are aligned to developments in the industry and the target Kenyan and East African market”.*

Based on the above responses and review of relevant secondary data sources including press releases by the company, it is apparent that Isuzu East Africa has elaborate product innovation capabilities that has helped it strengthen its position in the Kenyan motor vehicle assembling industry. As the leading motor vehicle assembler in the Kenyan market, Isuzu boasts several models including Isuzu Double Cabin, Isuzu D-Max, N series trucks and F series trucks all of which have been very successful in the Kenyan market (Isuzu Press Release, 2019).

Another key aspect concerning product innovation that the study established is the quality and performance of units assembled by the company for its target market. Isuzu double cabin, for example was described as high performance, all terrain, and fuel-efficient model specifically developed to suit the needs of Kenyan and East African customer targeted by Isuzu East Africa. On this, the sales and marketing manager remarked that the company owes the success of its product in the Kenyan and East African market to the exceptional qualities that its models come with including durability, performance, and fuel efficiency.

Still on innovation capabilities and how it has contributed to strengthening of Isuzu competitiveness in the Kenyan motor vehicle assembling industry, the study sought to determine whether the firm is engaged in continuous innovation practices or adopts new trends in the industry. From the interview, it is apparent that Isuzu pays a lot of attention to emerging trends or technological innovations in the industry. However, one of the respondents, product planning and engineering executive was categorical the company has an elaborate innovation strategy where before adoption of a technological or manufacturing innovation, the same has to be tested for quality, efficiency and effectiveness. Most importantly, the executive remarked;

“At Isuzu, the process of new technological adoption is quite elaborate. It involves different departments including product planning & engineering, manufacturing operations, research & development as well as finance and strategy working as a team to deliver the best value for the company with regard to innovation adoption and development”.

The above remarks are collaborated by recent events the company has undertaken with regard to its operations. In a move to strengthen its position in the Kenyan motor vehicle assembling industry, Isuzu recently and in a ceremony that was graced by the President of the Republic of Kenya, His Excellency, Hon. William Ruto commissioned a revamped multimillion-dollar

Electro-Deposition Paint Plant aimed at increasing the assembly capacity of the manufacturer by 60% from 11,000 vehicles to 18,000 per year. Besides being a testament of the company's innovation capacity, the above investment is a demonstration of a clear innovation strategy that is geared at enhancing Isuzu's competitiveness.

The dynamism associated with the global automobile industry prescribes that firms must work collaboratively with different partners to gain competitive advantage. To this end, the study asked whether Isuzu has elaborate mechanism for sharing information and communicate with different stakeholders within their supply chain network and whether such collaborate has translated to competitiveness within the Kenya market. Response from one of the executives revealed the company uses various channels to share information and communicate with stakeholders. Precisely, the sales and marketing manager remarked; *“as company, we have clear communication and messaging strategy that entails use of email, press conferences, social media and paid media advertisements”*. From the responses, it is clear Isuzu has been successful at utilizing innovations in information technology to strengthen its position in the Kenyan motor vehicle assembling industry. Evidence from secondary sources including press releases shows the company has a good track record of successful strategic alliances including the joint investment between General Motors and Isuzu parent company to establish local assembling unit targeted at the Kenyan and East African market a few decades back.

Whether the firm has mechanisms for acquiring knowledge and skills from other players in the industry, it was apparent that owing to the nature of the industry, Isuzu works with a set of partners whom the company often share insight concerning developments in the market. On this, an executive from aftersales and channel development observed, *“Isuzu East Africa a subsidiary of Isuzu Motors, a renowned Japanese motor vehicle assembler, works closely with*

the parent company to develop and acquire requisite knowledge and skills needed to excel in a business environment that is dynamic and competitive". He went, "Our parent company, offers both technical and non-technical support and training to key personnel on latest developments in the industry".

Related to acquisition of knowledge and skills, the study also sought to understand the extent the firm integrates new technologies into production operations. Owing to the nature of the industry, the level of investment required either to develop or acquire new technologies, one of the respondents interviewed indicated that the company follows a structured strategy when adopting new production technologies. For example, while major motor vehicle assembling plants around the globe utilize robotic technology to improve on productivity and cut on costs, Isuzu majorly depends on human labour for assembly of its units.

The last question on innovation capabilities sought to establish latest product technologies the firm has implemented or adopted in recent years. In response to this question, a product and innovation manager that had been interviewed reframed it to indicate new product development or releases the company has development in recent years. Specifically, the manager observed, *"Isuzu has an innovative product portfolio designed specifically to meet the needs of target customers". "For example,"* the executive continued, *"Isuzu D-Max double cabin pickup is an all-terrain, high performance and fuel-efficient vehicle designed specifically for the East African terrain".* The above views are collaborated by press release statements where the company for example launched state of the art multimillion-dollar Electro-Deposition Paint Plant that saw the company increase its assembling capacity per year by 6,000 units.

4.3.2 Financial Capabilities

Coleman et al., (2019) consider financial capabilities as one of the key determinant factors of organizational performance and competitiveness in a given industry or market. Based on the above argument, it was imperative that this study considered financial capabilities as part of the assessment of the influence of strategic capabilities on competitive advantage among motor vehicle assemblers in Kenya. Just like innovation capabilities, strategic capabilities possessed by Isuzu with regard to finance was assessed using a set of six semi structured interview questions which is outlined in the interview guide attached to this study in the appendix section.

The first interview question concerning financial capabilities possessed by Isuzu East Africa sought establish the whether the firm has specific financial strengths and capabilities that has seen it develop competitiveness in the Kenyan motor vehicle assembling industry. Concerning this, analysis of responses from various executives revealed the company is healthy.

The financial executive who agreed to be interviewed as part of this study outlined that Isuzu East Africa has over the years focused on building a healthy and sound business model. According to the Executive, Isuzu East Africa successively posted strong and healthy financial performance, has positive cash flows, and growing asset levels. The Executive went on to argue that this has enabled the company undertake various moves in the industry, including expanding assembling capacity, engage in acquisition and mergers as well as product innovation and development activities.

Related to financial strengths and capabilities, the study also sought to establish whether the firm is in a good position to meet short term financial obligations in case of financial turmoil or economic shock in the Kenyan market. The financial executive interview responded that one

of the key factors that has enabled Isuzu to emerge as a leading motor vehicle assembler in Kenyan market is the firm's ability to meet its obligation when due. According to the executive, Isuzu has elaborated financial structure that sees it work closely with leading commercial banks in the country in support of its business operations such that the company can readily arrange for credit when accounts payable become due and the company does not have adequate cash levels at time.

In relation to financial strengths and capabilities, the study also sought to establish whether Isuzu has a reliable financial plan and if so, how well is it aligned with overall competitive strategy deployed by the firm in the Kenyan and regional market. Response to this question revealed that financial planning at Isuzu East Africa is guided by the company's long term strategic plans which often cover a period of three to five years depending on the dynamics on the operational environment. To this end, the company places a lot of emphasis on planning and strives to maintain a balance between cash inflows and outflows. The executive also confided that the financial plans and budgets are well aligned to the company's overall competitive strategy which is to become the leading assembler new vehicle assembler for the East African market where it has been operating since 1977.

Given that Isuzu East Africa is one of the leading motor vehicle assemblers in the Kenyan auto industry, the study sought to establish whether the firm has capacity to provide customized products. Since provision of customized products tends to be more capital intensive compared to mass production, it was imperative to determine whether present financial position and cash flows allow the company to fulfill customized products without running into constraints. Concerning this question, the financial executive interviewed was categorical that the company does not provide customized products except for minimal adjustments that customers might

request to suit their specific needs. Since these adjustments does not affect overall design of various models offered by the company, the company is able to fulfill such orders without running into major constraints.

Still on financial capabilities, the study also sought to establish whether the firm has good linkage with providers of loans and credit facilities within the Kenyan financial market. According to Zamora et al., (2017) firms that have good financial linkage with lender are in a better position to orchestrate successful operations. Additionally, good financial linkage ensures that firm is in a better position to accommodate unforeseen changes in the business environment including financial distress. Findings from the interview shows Isuzu has reputable relationships with leading financial institutions in the country, a relationship that allows the company secure credit and loan from the financial market with ease relative to other borrowers.

4.3.3 Human Resource Capabilities

The study to establish key human resource competencies that Isuzu East Africa has developed over the years and how this has positioned the company in the Kenyan auto industry. To this end, the study sought to establish the frequency at which the company trains personnel on new trends in the motor vehicle assembling industry. Concerning this question, the product and innovation executive interviewed responded that the company places a lot emphasis on technical capabilities when hiring for production staff. Prior to commencing duty, newly recruited staff undergo mandatory training that range from machine and equipment handling, material handling, working teams and acquisition of multiple skills. As part of personnel development, the executive confided that all workers are assessed on regular basis, often annually, a practice that ensures higher productivity at the work floor.

Since the purpose of training is equip workers with appropriate skills, the study sought to establish whether these trainings translate to higher productivity and performance for the firm. Concerning this question, it was clear from the interview that training and performance appraisal for all employees within the company has played a big role in the company's overall competitive strategy where today it is the leading assembler of new vehicle units in the country.

The study also sought to establish whether Isuzu commits sufficient and adequate resources to human resources development. From the response given, it is apparent that Isuzu considers human resource a critical function whose performance is central to the overall performance of the firm. As such, the company devotes adequate level of resource to human resource development, starting with recruitment and selection, training and development and remuneration. To ensure that the company is able to attract and retain skilled and experienced personnel, the human resource manager interviewed indicated the company pays above wages and provides other incentives including house allowance, commuter allowances, and overtime, among other benefits that ensure employees are motivated.

The study also sought to establish the extent the human resource executive interviewed considered the firm's recruitment and training strategy aligned with the demands and needs of operatively competitively within the motor vehicle assembling in the country. From the response given, it was apparent that at Isuzu, human resource function is treated central to attainment of the company's overall competitive strategy. According to the human resource executive interviewed, human resource needs at the company as based on deliberate analysis existing capabilities with respect to what is need to compete favorably in the industry. Where gaps are identified, the executive indicated the company has two often, advertise for outside

talent or promote from inside. Irrespective of source, new employees or those deployed to new roles are always trained and assessed to ensure capacity to deliver.

The last two questions sought to establish whether the company has employees with requisite skills, knowledge and experience to deliver exemplary performance in a workplace environment that is growing increasingly competitive and challenging. Regarding this question, the human resource personnel indicated the company has been having issues especially with regard to how they can improve employee skillset while maintaining or reducing human resource costs. The executive also indicated that Isuzu often faces challenges replacing highly skilled and experienced employees who either reach retirement age or opt to leave the company in pursuit of greener pastures. Despite setting minimum requirements for all applicants, the executive indicated the company is often forced to spend a substantial level of resources and time to align new recruits with the demands of working in an industry that is highly competitive.

4.4 Influence of Strategic Capabilities on Competitive Advantage

This section of the interview guide sought to establish a link between the strategic capabilities possessed by Isuzu in key functional areas including product innovation, finance and human resource and competitive advantage enjoyed by the firm. Specifically, the researcher inquired from each of the eight respondents interviewed how strategic capabilities in key functional areas stated above have affected the company's market share. The aim of this question was to assess whether strategic capabilities possessed by Isuzu have helped it grow its market share or not. On this, the study established that competencies in R&D activities have seen the company develop several products that aligned to needs of specific customer segments targeted by the company. For example, the marketing executive interviewed disclosed that the light and heavy-

duty trucks and buses assembled by the company are designed specifically to suit the needs of the Kenyan and East African market.

A firm's competitive advantage in a given market or industry can also be assessed in terms of how well target customers are satisfied by products and services offered. On this, analysis of data obtained from the interview responses shows Isuzu East Africa is primarily driven by the desire to meet and satisfy the needs of its customers. Analysis of multiple responses shows the company places so much emphasis on utility and performance, a key attribute desired by the majority of customers targeted by Isuzu both at the personal and commercial segments. The marketing executive was more candid that utility and performance has emerged as a major marketing point for units offered by the company. The executive went to say that most of its customers are satisfied with the performance and utility of the different units offered by the company, thus giving the company a competitive advantage in the Kenyan motor vehicle assembling industry.

On brand awareness, the study sought to determine the extent the Isuzu brand is known in the market and how it compares with other players in the Kenyan motor vehicle assembly and auto industry. On this, the interviewees were categorical as the leading player in the market, Isuzu is a well-known brand, renowned for its performance and utility. The marketing executive was more specific that Isuzu is arguably the leading brand when it comes to light and heavy-duty trucks, with most traders, distributors and transporters preferring these units for their performance, utility and well as extended service the company gives to its customers. This view is supported by market reports that rank Isuzu as the leading motor vehicle assembler in the country with about 40% market share of new vehicle units assembled in the country.

Still on the influence of strategic capabilities on brand competitiveness, the study established capabilities in product innovation, market research, finance as well as human resource have all contributed to Isuzu emerging as the leading motor vehicle assembler of new vehicle units in the country. For instance, product and innovation manager at the firm indicated investment in R&D capabilities has seen the company strengthen its competitive advantage especially in the light and heavy truck segment of the auto industry in Kenya. Equally, good linkage with the providers of credit and loan facilities in the country ensures that the company is able to respond to large orders, especially from government agencies and ministries.

The competitive advantage enjoyed by Isuzu East Africa in the Kenyan auto industry and market was also assessed in terms of products and services offered by the company. The key question was how well are the company's products differentiated from what competitors offer. Findings from the study indicate one of the ways Isuzu differentiates itself from competitors is by focusing on performance and utility of its products. For example, the product and innovation manager was categorical that Isuzu Double Cabin is an all-terrain, high performance, utility vehicle well suited for the Kenyan and East African market. The company also differentiates itself from competitors by targeting different customer segments which ensures that the company remains at competitive advantage even if it underperforms in one of the segments.

4.5 Discussion of Study Findings

This study had sought to establish the influence of strategic capabilities in key functional areas such as innovation, finance and human resource on competitive advantage of Isuzu East Africa. Findings from the study indicate Isuzu possesses strategic capabilities in several functional areas including product innovation where products offered by the company are directly linked to the needs of the target market. The company also has strategic capabilities in finance where

it good linkage with providers of credit and loan facilities in the country. Concerning human resource, the company has large pool of qualified, experienced and skilled workforce in several department including production. The company's human resource policy is also based on the best practices in the industry including the requirement that new employees must meet minimum academic qualification and experience requirements, and inclusion of training and development program. These and several other strategic capabilities have helped Isuzu achieve competitiveness in the Kenyan motor vehicle assembly where evidence from secondary data sources shows the company leading the rest of the assemblers in production of new vehicle units.

In a business environment that is dynamic and competitive, Castro-Arce, and Vanclay, (2020), consider innovation capabilities as key to enhancing organizational performance and attainment of competitive advantage in a given industry. Using a different set of interview questions, this study therefore sought to establish strategic capabilities Isuzu has developed with regard to various aspects of innovation. Results indicate the company has elaborate product innovation strategy and that key departments at the firm work together to provide greater value to customers through product differentiation, superior quality and enhanced performance. Strategic capabilities in product development and innovation has enabled the company to grow its competitive position within the Kenya motor vehicle assembling industry where the firm controls close to 40% of new vehicle sales. Results also from the study established that the company is engaged in continuous innovation that has seen the company launch run a product portfolio that is designed to meet the needs of specific customer segments targeted by the company. These efforts has helped position Isuzu at competitive advantage within the Kenyan automobile industry.

Findings from the study with regard to influence of innovation on competitive advantage are similar to that of Taka, (2021) who established strategic capabilities in technology innovation as contributing to competitive advantage enjoyed by manufacturing firms based in Nairobi City. Results that production innovation capabilities have helped Isuzu attain competitive advantage in the Kenyan motor vehicle assembly industry is also collaborated by Amollo, (2022) who established strategic capabilities in technological as being one of the key factors that has seen British American Tobacco development competitive advantage in both the Kenyan and regional market. The idea that strategic capabilities innovation has the potential of strengthening a firm's competitive advantage in a given market or industry is also supported by findings from a study by Ferreira et al., (2020) affirmed innovation capabilities as having a positive influence on performance of multinationals corporations based in Portugal. Based on these findings, it can be summed up that firms seeking to develop competitive advantage in the Kenyan motor vehicle assembly industry need to invest in product innovation and other types of innovation. These firms can also entrench their competitive advantage by ensuring product innovation practices are linked to the moves in the industry including what competitors are doing and what customers desire.

Competitive nature of the auto industry in the country, especially the fact motor vehicle assemblers in the country face stiff competition from imports which account for 85% of all vehicles sold in the country (Khisia & Kariuki, 2020) means that firms in the motor vehicle assemblers based in the country must possess multiple strategic capabilities if they are to be competitive or remain in business. As such, it was imperative that the study assessed financial capabilities enjoyed by Isuzu East Africa and how this has positioned the company in the Kenyan auto industry. Findings from the study revealed that Isuzu has enjoys several strategic capabilities with respect to finances. Concerning this, the study established Isuzu has good and

healthy financials such that is capable of meeting short-term obligation including paying creditors without running into constraints. Isuzu's strengths in financial capabilities is also backed by the fact it has a reliable business plan that is aligned to its overall competitive strategy. Because of its leadership position in the Kenyan motor vehicle assembly industry, Isuzu also has good relationships with financial institutions in the country where it can access credit and loans at affordable rates whenever need arises.

Zamora et al., (2017) posit that financial capabilities is vital and essential requirement for firms seeking build or attain competitive advantage in a given market or industry. Related to the findings of this study that attribute Isuzu East Africa competitiveness in the Kenyan auto industry to strategic capabilities in finance, Taka, (2021) established ease of sourcing loans and credit arrangements from financial institutions as one the key factors that contribute to competitive advantage among manufacturing firms based in Nairobi County. Taka associates the ability to borrow extensively to competitive advantage because such a capability means a company can respond to changes in the operational environment with ease compared to firms with restrictive borrowing capacity. Based on the above argument and findings that Isuzu has good relations with leading lenders in the country, it can be argued motor vehicle assemblers seeking to attain competitive advantage in the country must cultivate good relations with lenders in the Kenyan financial industry. The need for motor vehicle assemblers in the country to develop competencies in financial resources is also supported by the fact RBV theory considers it as one of the key resources firms requires to build competitive advantage (Barney, 1991). Relevance of financial capabilities in enhancing organizational performance and competitive position has been established by Chepkole (2019) who found aspects such as financial planning, access to financing sources, balancing of cash inflows with outflows being integral to competitive advantage enjoyed by information technology firms in Nairobi City.

Through this study did not look at the issue of financial ratios, Roa, Garron and Barboza, (2019), argue the need for firms place attention on having healthy ratios.

In dynamic business environment that is characterized by stiff competition, Teece, (1990) consider the ability of firm to adapt effortlessly to such changes vital to attainment of competitive advantage. In the 21st Century, competencies in human resource in aspects such as skills, knowledge and experience is considered essential to building a superior competitive position. Concerning this, findings from the study indicate Isuzu has several competencies when it comes to human resource. For example, the company has minimum requirements for all new employees. Focus on employee training and development also ensures that they are equipped with appropriate skills and are always motivated to undertake assigned duties. Together with other competencies, the above strategic capabilities in human resource has enabled the company develop competitive advantage in the industry by aligning human resource capabilities to demands in the industry.

The relevance of human resource to building of competitive advantage has also been advanced by Chepkole, (2019) who established it as one of the key elements that affect the performance and competitiveness of information technology firms in Nairobi City. According to Mishra, Luo, and Hazen (2018) notes that the concept of the human resource capabilities entails availability of requisite skills and expertise in key functional areas. Besides, they must have the right attitude, competencies and attributes needed to accomplish organizational goals. From the interview, it was apparent that Isuzu has worked hard to develop a reputable human resource pool. The firms also works hard to retain them through competitive wages and other incentives. Given the competitiveness Isuzu enjoys in the Kenyan auto industry, this study argues that

players industry must place in place strategies that ensure and support human resource development.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter presents summary and discussion of research findings as established, interpreted and discussed in the chapter four of this study. Guided by the interpretation and discussion of the research findings, this chapter also provides conclusion to the overall study whose objective was to assess the influence of strategic capabilities on competitive advantage of motor vehicle assemblers in the country. This chapter also presents contribution of the study to practice, knowledge and policy issues that had been highlighted in chapter one of the study. Lastly, the chapter makes appropriate recommendations on areas future studies should focus and makes comments on some of the limitations that might affect the outcome of the study.

5.2 Summary of Study Findings

Utilizing a case study design where Isuzu East Africa was selected as unit of study, this study sought to establish the influence strategic capabilities on competitive advantage of motor vehicle assemblers in Kenya. Due to the choice of the research design, the study settled on semi-structured interview guide research instrument to aid collection of data from sampled respondents who comprised of managerial level staff at Isuzu East Africa. In total, the researcher interviewed eight managerial level staff who were drawn from key departments including finance, operations, human resource and marketing.

Results from the study reveal Isuzu East Africa has developed strategic capabilities in several functional areas including product innovation, finances and human resources. In particular, the

company has elaborate product innovation strategy that is not only designed to meet the needs of target customers but also aimed to advance the company's competitiveness in target segments. Through product differentiation, the company has managed to distinguish itself from competitors by offering solutions to specific solutions such as the Isuzu Double Cabin which is an all-terrain vehicle. Through product innovation, Isuzu brand is also known for its performance and utility with the company having an edge in the light and heavy-duty trucks segment of the industry. With strategic capabilities in other functional areas, including finance and human resource, Isuzu leads the rest of the players in the Kenya motor vehicle assembling industry with close to 40% of total market share enjoyed by these players.

Findings from the study also affirm that Isuzu's competitiveness in the Kenyan auto industry is also due to financial capabilities the company has developed over the years. The study established the company is in a health and strong financial position such that it can meet short term obligation with ease. Isuzu's financial capabilities is also confirmed by the fact the company has good and health relationships with leading financial institutions in the Kenyan market. Owing to these relationships, the company is a good position to adjust to changes in the operational environment with more ease compared to competitors, thereby giving it a competitive advantage in the industry. As explained by Zamora et al., (2017), financial capabilities play vital role in building competitive advantage in a given market or industry. As such, Isuzu's competitiveness in the Kenyan motor vehicle assembling industry is partly explained by financial capabilities the company enjoys compared to its competitors.

Human resource has been identified as key resource in both resource-based view theory and the dynamic capabilities theory. In fact, Taka, (2021) consider competencies in human resource as being critical to enhancing a firm's competitiveness in a given industry. On this, results from

the study showed Isuzu have a competent, skillful and highly experienced workforce. Besides setting minimum recruitment requirements, the company places a lot of attention of employee training and development. The company also ensures that its employees are well remunerated. These strategic capabilities in human resource have enabled the company develop competitive advantage in the industry by aligning human resource capabilities to demands in the industry.

5.3 Conclusion fxdfd

The focus of this study was to fill the gap in literature with regard to influence of strategic capabilities on competitive advantage among motor vehicle assemblers in Kenya. Results from case study analysis of Isuzu East Africa shows the company possess strategic capabilities in key functional areas including product innovation, human resource, and financial resources. Strategic capabilities in the above functional areas have seen Isuzu emerge as one of the leading auto brands in the Kenya market. Competitive advantage enjoyed by the company is confirmed by the fact majority of its customers are satisfied with products and services offered by the company. This view is supported by market reports that ranks Isuzu as the leading motor vehicle assembly in the country with about 40% market share of new vehicle units assembled in the country.

Based on these findings, the study concludes possession of strategic capabilities in key functional areas including product innovation, financial resource and human resource is key to attainment of competitive advantage in given industry or market. This view is supported by findings in several other studies including Chepkole, (2019) who established competencies in human resource, information technology, finance and knowledge as playing key role in competitiveness of information technology firms in Nairobi City. Similarly, Taka, (2021) affirmed strategic capabilities in human resource, technological innovation, and finance as

being central to the performance and competitive advantage enjoyed by manufacturing companies based in Nairobi County.

5.4 Implications of the Study

Significance of the present study was based on contributions it was going to have on policymaking, practice and knowledge. Suggestions made by this study on the above thematic areas are based on findings and the gap the study had sought to fill.

On knowledge, this study was anchored on resource-based theory and dynamic capabilities theory. While RBV theory states that firms seeking to achieve competitive advantage in a given market or industry must possess a set of valuable, rare and inimitable resource such as diverse set of product innovations, financial resources and human skills and knowledge, the dynamic capabilities theory as argued by Teece, (1990) argues it is how these resources are combined that matters. Findings from this study support arguments advanced in both theories. Findings showed Isuzu possess strategic capabilities in several functional areas and that the company has developed an effective strategy that enables it derive competitive advantage from these resource capabilities.

On practice, findings from this study signal the critical role strategic capabilities play in development of competitive advantage in a given market. As evidenced in the analysis and interpretation of study findings, it is not enough for firms to possess strategic resources but find a way to skillfully deploy these resources to derive competitive advantage. Based on these finding, motor vehicle assemblers in Kenya must first identify key resources that they need to compete favorably in the market. Secondly, they need to find the best way possible they can deploy these resources to attain competitive advantage.

On policy, the government need to come up with a policy in support of domestic motor vehicle assembly industry that faces stiff competition from imports. One of the ways the government can support motor vehicle assembly industry is by ensuring firms in the industry have access to afford and accessible sources of financing. This can be achieved by the government collaborating with the financial industry to set aside specific financial instruments in support of domestic auto industry. Additionally, the government can support the motor vehicle industry by ensuring vocational educational curriculum as well as that at universities is aligned with the needs of the auto industry.

5.5 Limitations of the Study

The study wishes to make the following reservations concerning the suitability of its findings. First, the study notes that findings from this study may be limited by the choice of the research design employed to explore the research problem. Use of a case study design and non-sampling techniques may limit generalizability of the research findings to the rest of the auto industry.

Findings of this study may also be limited by the choice of research instruments utilized to collect data from the study respondents. While interview guides may help uncover deep insight concerning subject of study, the findings might be limited by choice of questions, time limitations, and instruments utilized to undertake the study.

Lastly, findings of the study might be limited by functional areas the researcher focused which included product innovation, financial capabilities and human resource, leaving out other key areas such as strategic planning, and supply chain operations.

5.6 Recommendations for Future Study

Based on limitations highlighted above, the study wishes to make the following recommendations concerning future research on the research problem assessed which was influence of strategic capabilities on competitive advantage of motor vehicle assemblers in Kenya. Future studies on the topic should consider using a different research design. A cross-sectional research design focusing on several firms in the industry is likely to uncover further insight concerning strategic capabilities enjoyed by motor vehicles assemblers in Kenyan auto industry. Future studies on the topic can also make use of large sample size that is commensurate to size of managerial staff level at the industry. Instead of relying on interview guide, future research can make use of questionnaires which are more standardized and easier to administer to a larger sample size compared to interview-based research instruments.

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APPENDICES

Appendix I: Data Collection Letter



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Our Ref: D61/12260/2018

October 12, 2023

National Commission for Science, Technology and Innovation
NACOSTI Headquarters
Upper Kabete, Off Waiyaki Way
P. O. Box 30623- 00100
NAIROBI

RE: INTRODUCTION LETTER: FAITH JEBET KIPCHILLAT

The above named is a registered Masters of Business Administration candidate at the University of Nairobi, Faculty of Business and Management Sciences. She is conducting research on *"Influence of Strategic Capabilities on Competitive Advantage of the Motor Vehicle Assemblers in Kenya: A Case Study of Isuzu East Africa."*

The purpose of this letter is to kindly request you to assist and facilitate the student with necessary data, which forms an integral part of the Project.

The information and data required is needed for academic purposes only and will be treated in **Strict-Confidence**.

Your co-operation will be highly appreciated.



PROF. JAMES NJIHIA
DEAN, FACULTY OF BUSINESS AND MANAGEMENT SCIENCES

JN:am

Appendix II: Interview Guide

SECTION I: RESPONDENTS PROFILE

1. Respondents Gender

Male []

Female []

2. Respondents Age

18 – 35 Years []

36 – 50 Years []

Above 50 Years []

3. Respondents Level of Education

Primary Level []

Secondary Level []

Diploma Level []

University Degree []

Postgraduate Level []

If Other, Specify

4. Number of years respondents has been working with the motor vehicle assembling

Below 5 years []

6-10 years []

11-20 years []

Over 20 years []

SECTION II: STRATEGIC CAPABILITIES

5. Innovation Capabilities

- a. Kindly elaborate strategic capabilities your firm has put in place with regard to product innovation?
- b. Does your firm continuously innovate or adopt new trends in the motor vehicle assembling?
- c. Does your firm have elaborate mechanism for sharing information and communicating with relevant stakeholders? How does the capabilities translate to competitiveness within the industry?
- d. Does your firm have mechanisms for acquiring knowledge and skills from other players in the industry?
- e. To what extent does your firm integrate new technologies into productions activities.
- f. What are some of the latest production technologies has your firm implemented or adopted in recent years?

6. Financial Capabilities

- a. How well do you rate your firm's financial strengths and capabilities?
- b. In case financial turmoil or economic shock in the Kenyan market, how well is your firm able to overcome these shocks especially with regard to meeting short term financial obligations?
- c. Does your firm have a reliable financial plan and how well is it aligned to the overall competitive strategy deployed by the firm?
- d. Does your company have capacity to provide customized products? Does your current financial position, including cash flows allow your company do so without running into constraints?
- e. Does your company have good linkages with providers of credit and loans within the Kenyan financial market?

7. Human Resource Capabilities

- a. How frequently are personnel trained with new trends in the motor vehicle assembling? Do these trainings translate to improvement in firm performance and overall competitive advantage?
- b. Does your firm commit sufficient level of resources and time in developing new capabilities and competencies among its personnel?
- c. To what extent do you consider your companies recruitment and training process aligned to demands and needs of operating competitively within the motor vehicle assembling in the country?
- d. The firm has sufficient capabilities in relevant employee skills, knowledge and experience to deliver exemplary performance in a challenging, competitive and demanding work environment.
- e. Employees have the requisite skills, knowledge and experience which has seen the company develop competitive advantage in the industry.

8. Competitive Advantage

- a. How has strategic capabilities possessed by your firm in key functional areas including product innovation, financial resources and human resources affected your market share in recent years?
- b. How well are your target customers satisfied with the products and services provided by the company?
- c. How well is your brand known in the market and how does it compare to that of competitors?
- d. Do you consider your company to be among the top three motor vehicle assemblers in the country and how is this related to strategic capabilities possessed by the firm?
- e. How well are your company's products differentiated from what is offered by competitors?

- f. Does your company strive to produce the best vehicles at the lowest costs possible? How has strategic capabilities possessed by the firm enabled it to attain the same?

Thank you