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The Role of Competitive Advantage and Managerial Capabilities during Strategic Change on Performance of Firms in the Alcohol Industry in Kenya

Michael Washika Okonda

Department of Business Administration, Maseno University, Kenya

Abstract: **This paper sought to establish the role of competitive advantage and managerial capabilities on performance of alcohol firms in Kenya. The study focused on competitive constructs of quality of goods, ability to introduce completely new products and services, ability to modify existing products to meet unique customer needs and alteration of products with new features. The study was anchored on the Resource-Based Theory (RBT). The study adopted a qualitative research design of cross sectional type. The population was 25 local firms registered by Kenya Revenue Authority by 2012 and approved by National Authority for the Campaign Against Alcohol and Drug Abuse, (NACADA) by 2015. A saturated sample consisted of 100 respondents to get primary data. Descriptive statistics and thematic analysis were used to determine the relationship between scope of strategies and organizational performance. Findings revealed that there was a fairly positive relation between scope of strategies and organizational performance.**

Keywords: **Competitive Advantage, Managerial Capabilities, Organizational Performance and Resource Based Theory (RBT).**

1. INTRODUCTION

Globally, interest in strategic change seems to have heightened, and many studies examining the occurrence, antecedents and performance consequences of strategic change have appeared (Lant, Milliken and Batra, 1992; Zajac and Kraatz, 1993). The topic of strategic change defined as an alteration in an organization's alignment with its external environment (Rajagopalan and Spreitzer, 1996) Van de Ven and Poole, 1995), has been at the growing center of literature in both the strategy and organizational theory fields (Hofer and Schendel, 1978; Zajac and Shortell, 1989; Rajagopalan and Spreitzer, 1997). The study of strategic change has long occupied an important position in the larger field of strategic management. Strategic change has been recognized as an important phenomenon because it represents the means through which organizations maintain alignment with shifting competitive, political, economic, social, technological, and legal environments which occasionally pose threats to their continued survival and effectiveness. The conceptualization of strategic change as changes in the content of a firm`s strategy as defined by its scope, resource deployments, competitive advantages and synergy, is based upon the view of strategy as a pattern of a firm's resource allocations (Mintzberg, 1978).

The link between competitive advantage as an aspect of strategic change and organizational performance has not been the subject of much attention among alcohol industry researchers in Kenya. Some important areas are underexplored in the relationship between strategic change and performance. For example, the subject has been primarily investigated in the context of Western countries and inadequate attention has been given to middle economies. In addition, despite the importance of intangible internal resources, the moderating role of firms` internal characteristics such as managerial capabilities on the link between competitive advantage and performance in the alcohol industry in Kenya has not been investigated.

The literature on the relationship between strategic change and organizational performance (OP) has revealed an equivocal findings. Some studies have found that strategic change enhances performance (Hambrick and Schecter, 1983; Haveman, 1992; Zajac and Kraatz, 1993) while in other studies it reduces performance (Jauch, Osborne and Glueck, 1980) yet another set of studies has found that no relationship exists (Kelly and Amburgey, 1991) or mixed relationships (Smith and Grimm, 1987). Methodological reasons may account for these contradictions. First, changes in strategy were conceptualized differently across all the studies.

Second, interactions between organizational variables and various aspects of strategic change may not be completely captured in these studies due to narrow definition of strategic change. These inconsistent findings could also suggest that the relationship between strategic change and organizational performance may be affected by various constructs of firm characteristics. Firm characteristics can have a strong impact on the ability to adapt strategically as well as on organizational performance yet no study has been carried out to assess the moderating influence of firm characteristics such as managerial capabilities on the relationship between competitive advantage as an aspect of strategic change and organizational performance. In the existing literature, strategies implemented in alcohol industry have been approached rather narrowly, while the role of intangible resources such as managerial capabilities in building firm performance has received less focus. Moreover, resources are not productive on their own and it is the capabilities that assemble, integrate and manage the bundles of resources (Teece, 1997; Maritan and Peteraf, 2011). Hence, the research aimed to establish the relationship between competitive advantage and firm performance moderated by managerial capabilities.

1.1 Strategic Change:

Strategic change is defined as changes in the content of a firm`s strategy as defined by its scope, resource deployments, competitive advantage and synergy (Hofer and Schendel, 1978). However, strategic change has various definitions. For example, Zhang and Rajagopalan (2009) defined strategic change as the overall change in a firm's pattern of resource allocations in multiple key strategic dimensions and used advertising intensity, research and development intensity, plant and equipment newness, non-production overhead, inventory levels and financial leverage as the composite measure of strategic change in the examination of the performance consequence of the change in the firm's overall pattern of resource allocation. Strategic change is the difference in form, quality, or state over time (Van de Ven and Poole, 1995). The various definitions of strategic change can yield inconsistent findings on the relationship between strategic change and organizational performance depending on dimensions of strategic change adopted. The environment is assumed to be uncertain and dynamic (Quinn, 1980). Firms have to change their strategy in response to the environmental changes. The concepts of strategic change adopted dependents on the environmental changes experienced in the industry. This study adopted the definition of Hofer and Schendel (1978) with emphasis on the relationship between competitive advantage and performance moderated by managerial capabilities among alcohol firms. This is because the change that was being witnessed in the alcohol industry anchored more on competitive advantage more than any of the other aspects of strategic change. The driving forces included strict legal enforcement, entrance of new competitors, changing demographics and generational changes, consumer need for fairly priced products and mergers and consolidation. More so this aspect of strategic change is a key concept of the Resource Based Theory on which the study was anchored.

1.1.1 Firm characteristics:

Firm characteristics refer to firm specific attributes that form the basis of sustainable competitive advantage (Wernefelt, 1984; Barney, 1991; Mahoney and Pandian, 1992; Peteraf, 1993). For the purpose of this study firm characteristics would refer to the same thing as organizational characteristics and is limited to managerial capabilities. In order to avoid any plausible strategic change effect on organizational performance and alternative explanation, the study argues that even when the organization does not experience strategic change, unobserved factors may lead firms to higher or lower levels of performance. Firm characteristics might strengthen the plausible effect of strategic change on organizational performance, make the effect uncertain of both anticipated actions and unanticipated actions that are induced by the

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anticipated ones (Hannan, 2007). The firm characteristics chosen was managerial capabilities because previous studies Ismail, et al (2010) used age and size of the firm while O`Cass and Julian (2003) used product uniqueness, firm experience, supportive distribution and resource commitment as moderator variables leaving out the firm characteristics under study.

The resource based theory has been criticized for being concerned with the neglect of how resources become valuable (Barney, 2001a; Lynch, 2000) despite researchers acknowledging that it is the management of resources and skills that is key to firm profitability and not the resource alone (Aaker, 1989). For this reason managerial capability was considered as a key firm characteristic. Managers' firm-specific experience involving tacit knowledge of a firm's resources and capabilities allows managers to make more informed resource allocation decisions that are unique to each firm needs to be established. Thus, moderation studies focusing on the moderating role of managerial capabilities on the relationship between competitive advantage and performance are limited hence the more justification for using managerial capability.

1.1.2 Organizational Performance:

Organizational performance (OP) is a measure of how a manager utilizes the resources of the organization efficiently and effectively to accomplish the goals of the organization as well as satisfying all the stakeholders (Jones and George, 2009). In their contribution Richard, Devinney, George and Johnson (2009) defined organizational performance as the real output measured against the intended or expected output. For indicators of a firms` performance, financial data is preferable, but firms are often unwilling to disclose this type of confidential information to the public unless the law requires them to do so. Financial performance is a subjective measure that uses annual sales. Although financial data remain popular, subjective performance measures have been widely used in strategy-related and organizational research (Dess and Robinson, 1984; Powell and Dent-Micallef, 1997). The study used subjective measures partly because of the difficulty in obtaining reliable financial information. Moreover, financial data is criticized for being unreliable and subject to inconsistent accounting practices or even to managerial manipulation for reasons such as avoiding payment of high corporate or personal income taxes (Dess and Robinson, 1984; Powell and Dent-Micallef, 1997). The study used sales growth and market share as measures of performance.

1.1.3 The Alcohol Industry in Kenya:

The alcohol industry in Kenya dates back to 1922 when two brothers from England, George and Charles Hurst, started brewing beer in Kenya (EABL Citizenship Report, 2004). The two formally incorporated their business as a private company under the name of Kenya Breweries Limited. Kenya Breweries Limited became a public limited company in 1934. By 1990, most of the shareholders were Kenyans. Kenya Wine Agency Limited (KWAL) was incorporated in May 1969 with the objective of consolidating importation and distribution of wines and spirits from foreign owned companies and enable indigenous Kenyans take control of the importation and distribution of wines and spirits in the country. Keroche Breweries Limited (KBL) started back in 1997 as a small family business. It was a result of a market survey on opportunities available in manufacturing market then. The company currently has 3 per cent share in beer market.

The alcohol industry`s formal stakeholders who include brewers, Kenya Revenue Authority (KRA), distillers, the Kenyan barley famers among others have specific roles: the East Africa Breweries Limited (EABL) and Kenya Breweries Limited (KBL) are brewers and marketers of beer while Kenya Wine Agency (KWAL) and other wine and spirits firms brew, distil, market and sale spirit based alcoholic beverages. Kenya has started to develop sorghum as an additional brewing raw material (Willis, 2002). Kenya Plant Health Inspectorate Service (KEPHIS), certifies seed quality standard before they are offered for sale to farmers. The Kenya Bureau of Standards sets the standard and approves the quality of beer and other alcoholic beverages in Kenya; National Authority for the Campaign Against Drug and Alcohol Abuse (NACADA) checks drug and alcohol abuse; Kenya Revenue Authority (KRA) under the Ministry of Finance determines the rate of excise duty charged on alcohol and the National Cereals and Produce Board advises farmers on grain growing and marketing. The informal alcohol industry players include Kenya Association of Hotelkeepers and Caterers (KAHC); Pubs, Entertainment and Restaurants Association of Kenya (PERAK); supermarkets, beer consumers and distributors, and those employed, directly or indirectly are among the other key stakeholders.

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Through incorporation Kenya Wine Agency Limited (KWAL) was the first commercial winery to manufacture and distribute wines and spirits until liberalization of the economy in 1992/1993. Since then there have been many local and foreign entrants such as Africa Spirit Co. Ltd, Kenya Gin Manufactures limited, Diageo and London Distillers (K) Ltd among others. The wines and spirits market is fragmented with no single firm holding a substantial market share. The entry of many firms has led to distributors battling for control of the spirits market, currently the most lucrative in the face of competition from imports and counterfeits.

In Kenya, many factors affect alcohol industry performance: government policies have affected pricing strategies in the alcoholic industry for example; alcoholic producers cannot control the price for which their alcoholic beverages are sold at retail outlets. Alcoholic Control Act 2010 further regulates the specific areas where bars should operate and the specific time when bars should be opened. Taxation affects the future profitability of this industry. The political environment affects sale and distribution of alcoholic beverages. The effects of post-election violence in Kenya had great impact in this industry (Mwangulu, 2014). The integration of the East African Community especially the joining of the economic block by Rwanda and the emerging market in the Southern Sudan gives these industry potential opportunities to be tapped. Political decisions and pronouncements by key government officials and politicians affect business positively or negatively. The changing demographic profile of the population, tourism growth and the quest for more individualized beverage experiences are significant opportunities existing for increasing domestic alcoholic beverages consumption (Mwangulu, 2014). Although a decline in the value of the shilling against the dollar inhibits profitability and the ability of alcoholic beverage makers to hit key price points, it affects more exports of alcoholic beverages because of lower price. Increase in demand for alcoholic beverages may be attributed to the following economic factors: changing living standards, changes in the relative price of alcoholic beverages to other goods and services, improved individual incomes (Mwangulu, 2014).

The cultural shift from rural based to urban living families in the recent years has also exposed young generation to alcohol. Media influence has had an effect on increasing young drinking population. Heavy investment on superior technology has guaranteed high volume of products for sale. Through technology consumers are able to access information about products and services, products reach consumers faster and conveniently and it influences how decisions are made in firms. Its helps increase efficiency and require technically qualified manpower. In addition, beer markets have also shown that main marketing advantage is derived from building of strong brands. For this reason, the character of domestic markets is determined by the main brands available in each country with a secondary market for imported brands. The largest manufacturing firms also have the most intricate and effective distribution facilities. Therefore, the ability to distribute effectively is an indispensable part of a successful marketing strategy.

East Africa Breweries Limited accounts for 90% market of Kenya`s formal alcohol with its closest competitor Keroche with only 3% of the market and the rest 7%. However, the 2011 annual report and financial statement of East Africa Breweries Limited reveals that the profits declined from Ksh.12, 568 billion shillings to Ksh.12, 249 billion shillings between the year 2010 and 2011compared to Ksh.12 316 and Ksh.11 507 billion for the year 2008 and 2009 (Old Mutual Securities, 2012). According to Africa Research for Investors and Business dubbed Africa Yield, Kenyan beer volumes contracted by 1% in 2011. However, the link between competitive advantage as an aspect of strategic change and organizational performance has not been the subject of much attention among alcohol industry researchers in Kenya.

A firm may excel in some of its competitive advantages, be only average in others, and be below average in others. These factors usually vary from industry to industry (Hofer and Schendel, 1978) and include market share, breadth of product lines, sales distribution effectiveness, relative product quality, productivity, price competitiveness, caliber of personnel and general image. Mwende et al. (2013) studied the impact of the Alcoholic Drinks Control Act, 2010 on marketing strategies of East African Breweries Limited in Kenya. The study variables included corporate social responsibility, promotional activities, quality of products and market expansion. Dirisu, Iyiola and Ibidunni(2013) studied product differentiation as a tool of competitive advantage and optimal organizational performance of Unilever in Nigeria. The study adopted higher product quality, product design, unique product features and new product innovation to measure competitive advantage and sales growth and customer satisfaction as dimensions of organizational performance. Wang and Lo (2006) have further boast the linkage of unique advantage and the sales performance of organizations. He measured sales growth performance by the level of sale revenue, profitability, and return on investments, yield, product added value and share in market. Amoako-Gyampah, and Acquaah (2008) examined the relationship between manufacturing strategy and competitive strategy and their influence on firm performance in Ghana. The study related competitive strategy to manufacturing strategy which was in turn related to performance. None of these studies considered the relationship between competitive advantage constructs of modifying existing products to meet unique customer needs, altering product offerings to meet unique client needs in unique environmental changes and altering offerings for new features and services, and performance of firms in the alcohol industry in Kenya.

Some studies (Mwende et al, 2013) used a single measure of organizational performance. There was therefore, a need to carry out studies that encompass measures that capture different dimensions of organizational performance. The findings by Dirisu et al (2013) may not be generalized to other sectors such as alcohol industry in Kenya having been done in Nigeria among the consumers of Unilever products. Therefore, the relationship between competitive advantages constructs such as modifying existing products to meet unique customer needs, altering product offerings to meet unique client needs in unique environmental changes and altering offerings for new features and services to performance of firms in the alcohol industry in Kenya is lacking.

Ismail, Rose, Abdullah and Uli (2010) examined the relationship between organizational competitive advantage and performance moderated by the age and size of firms among 127 Malaysian manufacturers. The study focus was not industry specific since every industry has unique critical success factors. O`Cass and Julian (2003) examined the impact of specific firm characteristics, environmental characteristics and marketing mix strategy on export marketing performance. Except for product uniqueness the study did not include brand portfolio and managerial characteristics as constructs of firm characteristics. The study linked firm, environmental characteristics and performance through export marketing mix strategy, highlighting the central role of marketing mix strategy in determining performance but failed to link strategic change and organizational performance moderated by firm characteristics. Given the studies were conducted in western countries the findings of the studies may not be generalized to Kenya being a middle economy. There is need to examine particular industries and economies to establish the success of particular firms to pursue specific strategies. The study employed a single measure of performance unlike this study. Yin (2012) examined the effects of managerial capability and organizational culture on hotel’s financial performance and customer satisfaction in Chinese lodging industry. Managerial capabilities were measured by only three items while the current study used five items which are not similar. Yin (2012) used organizational culture and managerial capabilities as independent variables unlike the current study. Therefore, the use of composite measures of the study variables will yield a truer picture of the performance position of firms in the alcohol industry. This is why the study sought to determine the moderating effect of firm characteristics on the relationship between strategic change and organizational performance.

1.2. Statement of the Problem:

Kenyan alcohol industry contributes about 5% of government revenues yet financial reports indicate that profits of a firm with 90% market share declined from Ksh12,568 to Ksh12,249 billion between the year 2010 and 2011 compared to Ksh.12, 316 and Ksh.11, 507 billion for the years 2008 and 2009 respectively. However, the link between competitive advantage as an aspect of strategic change and organizational performance has not been the subject of much attention among alcohol industry researchers in Kenya. Previous studies dwelt on the impact of the Alcoholic Drinks Control Act, 2010 on marketing strategies of East African Breweries Limited in Kenya. More recent studies have dwelt on product differentiation as a tool of competitive advantage and performance of Unilever in Nigeria but did not focus on the effect of product modifications and altering offerings for new features as aspects of competitive advantage on performance in the alcohol industry in Kenya. Lastly, while there is a study that examined the relationship between organizational competitive advantage and performance moderated by firm and environmental characteristics it failed to consider the moderating influence of managerial capabilities. The role of a moderating variable like unique firm characteristics such as managerial capabilities during strategic change in alcohol industry as opposed to the traditional firm size, age and top management attributes was needed. The study sought to fill these gaps by assessing the influence of competitive advantage and managerial capabilities on performance of alcohol firms in Kenya.

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1.3 Objectives of the Study:

The main objective of this study was:

i. To establish the relationship between competitive advantage and performance of firms in the alcohol industry Kenya.

1.4 Research Questions:

The following research questions guided the study:

Question 1: What is the relationship between competitive advantage and organizational performance?

i. Overall, how do your customers rate the quality of your products and services?

ii. Has the introduction of new products and services born good results?

iii. Have you been able to modify your existing products to meet unique customer needs?

iv. Has the alteration of your product offerings to meet unique client needs and unique environmental changes been beneficial?

v. Has the catering to customer needs for "new" features been beneficial?

Question 2 Have managerial capabilities influenced the relationship between competitive advantage and performance?

1.5. Scope of the Study:

This study focused on the firms whose main activity involves production and distribution, sale and marketing of alcohol in Kenya. The firms selected were those which had been in existence through registration by Kenya Revenue Authority since 2012 and approved by National Campaign Against Drug and Alcohol Abuse (NACADA) by 2015. These comprised 28 firms: two brewery firms and 26 wine and spirits distilleries. The study focused on firms that are located in Nairobi and its environs, Naivasha, Nakuru and Kisumu where most of them are found.

1.6 Justification of the Study:

This study is important because firstly, the study has the contribution in existing literature by adding the moderating effect of managerial capabilities between the relationship of competitive advantage and organizational performance. The study is helpful for the management to focus not only on the strategic change concept competitive advantage but also the managerial capabilities, while studying firm performance. Secondly, the academia will find this study relevant especially with regard to those who undertake research in organizational performance (OP) vis-à-vis other parameters. This study will therefore contribute to knowledge specific to business enterprises in Kenya. The findings of this study will also provide a basis of comparison among the various studies on strategic change and performance that have been carried out in Kenya and beyond in various sectors. Finally, the study will provide impetus to the revitalization of the alcohol industry because many complementary business sectors earn substantial profits from the sale and/or promotion/ advertising of alcohol: mass media, advertising industry and groceries. Therefore, this revitalization will be central to the government`s strategy for employment and wealth creation, as well as achieve the much desired dream of transforming our country into a middle income economy as enshrined in Kenya vision 2030.

1.7 Conceptual Framework:

This study examined the relationship of strategic change concept of competitive advantage and performance. This relationship is influenced by managerial capabilities among firms in the alcohol industry in Kenya. A conceptual framework of competitive advantage, managerial capabilities and performance is indicated in Figure 1. The framework was guided by the Resource Based Theory (RBT). The RBT suggests that the resources possessed by a firm are the primary determinants of its performance and these may contribute to a sustainable competitive advantage of the firm (Wenerfelt, 1984). This study argues that the relationship between competitive advantage and organizational performance (OP) is direct. However, the relationship may be influenced by the role of managerial capabilities. The firm characteristics i.e. managerial capabilities were chosen because previous studies Ismail, et al (2010) used age and size as aspects of firm characteristics while O`Cass and Julian (2003) used product uniqueness, firm experience, supportive distribution and

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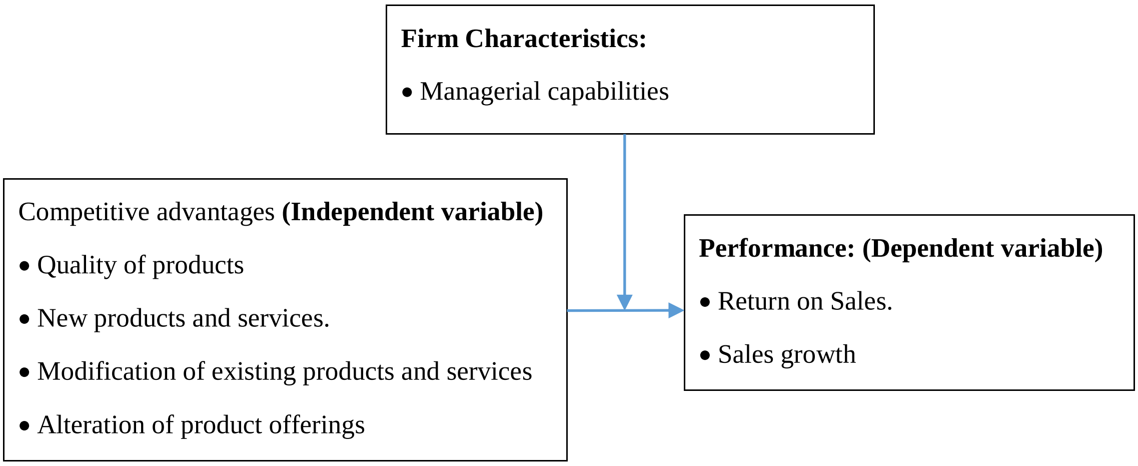
resource commitment as moderator variables. Performance is itemized as a dependent variable with return on sales and sales growth. It is determined by strategic change dimension of competitive advantage as the independent variable. The resource based theory (RBT) positions management as the key driver of the process of recognizing, developing, and deploying resources into valuable activity. The framework hypothesized that the relationship between competitive advantage and performance influenced by firm characteristics mainly managerial capabilities.

Intervening variable



Relationship of competitive advantage and managerial capabilities on organizational performance

Source: Adapted from Wernerfelt (1984).

Figure 1: Conceptual Framework

2. LITERATURE REVIEW

2.1 Introduction:

This chapter discusses both theoretical and empirical literature relating to competitive advantage as an aspect of strategic change and the moderating influence of managerial capabilities as firm characteristics on organizational performance (OP).

2.2. Theoretical Review:

2.2.1 The Resource Based Theory:

The resource-based theory stipulates that in strategic management the fundamental sources and drivers to firms' competitive advantage and superior performance are mainly associated with the attributes of their resources and capabilities which are valuable and costly-to-copy (Barney 1991, Peteraf and Bergen, 2003). It offers an explanation for the firms` effects on strategies and performance outcomes within the same industry. In Barney (1991), firm resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive and implement strategies that improve its efficiency and effectiveness. Resource Based Theory (RBT) emphasizes strategic choice, charging the firm's management with the important tasks of identifying, developing and deploying key resources to maximize returns (Fahy, 2000). The strength of the RBT could be enhanced via acknowledging that resources are dynamic in nature and a firm's deployment of its resources in creating and sustaining its advantages might also contextually differ from one firm to another.

The resource-based theory (RBT) emphasizes the firm's resources as the fundamental determinants of competitive advantage and performance. It adopts two assumptions in analyzing sources of competitive advantage. The first assumption is that firms within an industry (or within a strategic group) may be heterogeneous with respect to the bundle of resources that they control. Second, it assumes that resource heterogeneity may persist over time because the resources used to implement firms' strategies are not perfectly mobile across firms (i.e., some of the resources cannot be traded in factor markets and are difficult to accumulate and imitate). Resource heterogeneity (or uniqueness) is considered a necessary condition for a resource bundle to contribute to a competitive advantage. The argument goes "If all firms in a market have the same stock of resources, no strategy is available to one firm that would not also be available to all other firms in the market" (Cool, Costa and Dierickx, 2002).

The resource based theory (RBT) stipulates that in strategic management the fundamental sources and drivers to firms' competitive advantage and superior performance are mainly associated with the attributes of their resources and capabilities which are valuable and costly-to-copy (Barney, 1991; Peteraf and Bergen, 2003). The RBT of strategy sees a firm's resource base as a primary driver of strategic change (Gilbert, 2005; Teece, Pisano and Shuen, 1997). The intuition is that the current resource base shapes the menu of strategic options available to a firm. The resource base can be both an enabler and a constraint to strategic change.

The main tenet of the RBT is that resource characteristics influence the strategic options available to a firm (Wernerfelt, 1984; Teece, Pisano and Shuen, 1997). For example, Montgomery and Wernerfelt (1988) show how the heterogeneity of internal resources affects diversification strategies. Flexible resources allow firms to explore distant market opportunities and to diversify widely. The RBT suggests that the resources possessed by a firm are the primary determinants of its performance, and these may contribute to a sustainable competitive advantage of the firm (Wenerfelt, 1984). According to Barney (1991), the concept of resources includes all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness. Building on the assumptions that strategic resources are heterogeneously distributed across firms and that these differences are stable overtime, the study examined the link between strategic change concepts of scope, resource deployment and competitive advantages and firm characteristics such as specific product dimensions and brand portfolio on organization performance.

However, the resource based theory has criticisms: one issue is concerned with the neglect of the process issues through which resources become valuable (Barney, 2001a; Lynch, 2000) despite researchers acknowledging that it is the management of resources and skills that is key to firm profitability and not the resource alone (Aaker, 1989). Fahy (2000) noted that the vast majority of contributions within the resource based theory (RBT) have been of a conceptual rather than an empirical nature, with the result that many of its fundamental tenets still remain to be validated in the field. In addition, there were some debates regarding both the nature and the determinants of competitive advantage and the relevancy of the resource-based theory. The resource-based theory (RBT) was the underlying theoretical foundation. This is because it focused especially on the role of internal attributes (resources and capabilities) of the organization during change. Although there are also some minimal external dimensions and elements, these elements are mainly inherent within the organization. Furthermore, it has widespread dissemination in academic literature and in management practices (Priem and Butler, 2001); it has heterogeneous character, in that it encompasses different theories (Barney, 2001a; Mahoney, 2001) or perspectives (Makadok, 2001) and lastly it has a reputation as a mainly strategic management approach (Phelan and Lewin). Hence, it justified the adoption of the RBT as the main research tenet to examine the effect of strategic change and firm characteristics on performance of firms in the alcohol industry in Kenya.

2.3. The Concept of Strategic Change:

Strategic change is defined as changes in the content of a firm`s strategy as defined by its scope, resource deployments, competitive advantage and synergy (Hofer and Schendel, 1978). However, strategic change has various definitions. For example, Zhang and Rajagopalan (2009) defined strategic change as the overall change in a firm's pattern of resource allocations in multiple key strategic dimensions and used advertising intensity, research and development intensity, plant and equipment newness, non-production overhead, inventory levels and financial leverage as the composite measure of strategic change in the examination of the performance consequence of the change in the firm's overall pattern of resource allocation. Strategic change is the difference in form, quality, or state over time (Van de Ven and Poole, 1995). The various definitions of strategic change can yield inconsistent findings on the relationship between strategic change and organizational performance depending on dimensions of strategic change adopted. The environment is assumed to be uncertain and dynamic (Quinn, 1980). Firms have to change their strategy in response to the environmental changes.

The concepts of strategic change adopted are dependent on the environmental changes experienced in the industry. This study adopted the definition of Hofer and Schendel (1978). However, the concept of synergy was dropped. This is because the change that was being witnessed in the alcohol industry anchored on competitive advantage more than any other aspects of strategic change. More so this aspect of strategic change is a key concept of the resource based theory on which the study was anchored. Managers attempt to understand the ambiguous environment through a series of iterative actions aimed at understanding the external context and influencing it proactively (Koberg, 1987). In times of change, managers find it challenging to manage resource deployment to many different systems of the firm so as to align them and make them consistent with the environment. Strategic change helps organizations adjust to environmental conditions, prepare for the future, reduce external dependence, boost sales, recoup initial investment and improve overall coordination for better performance.

To succeed in building a sustainable competitive advantage, a firm must try to provide what buyers will perceive as superior value. This entails either a good quality product at a low price, or a better quality product that is worth paying more for. The independent variable under study was competitive advantage of alcohol firms which was measured in terms of perceived quality of products, ability to introduce new products and modify existing products to meet unique client needs and meet environmental changes.

2.3.1 Competitive Advantage variable:

Competitive advantage is the creation of a perceived or real advantage for a product or a brand over rival products in the eyes of the target market. Without understanding the competitor, a marketer cannot realistically differentiate his or her products from those of competitors. Pearce and Robinson (2005) define competitive advantage as that advantage gained by the first firm among competitors to achieve appropriate strategy-structure fit. However, this advantage disappears as the firm's competitors also attain such a fit.

More recent research has begun to recognize the use of resource-based capabilities in gaining and maintaining competitive advantage (Chandler and Hanks, 1994). Reaching back to the traditional strategic management concept of distinctive competence (Andrews, 1971), the resource-based theory argues that competitive advantage results from a firm's resources and its capabilities. Resources include capital equipment, worker and management skills, reputation and brand names (Barney, 1991). Resources are not normally productive in and of themselves, however, and the firm's skill at effectively coordinating and using its resources constitutes the firm's capabilities. In other words, resources are the source of a firm's capabilities which refers to a firm's ability to bring those resources together and deploy them advantageously. While resources are relatively tangible, capabilities are less readily assigned a monetary value, and are often deeply embedded in organizational routines and practices, thereby making them less subject to imitation by present or potential competitors (Dierkx and Cool, 1989). These capabilities have been termed "distinctive competencies" and generally refer to the unique skills and activities that a firm can do better than its competitors. When competition intensifies, the possession of these competencies should become increasingly important for the firm's continued success.

In this research specific attention was given to competitive advantage from the perspective of quality of products, ability to introduce new products, ability to modify existing products to meet unique customer needs and ability to cater to customer needs for new features. This represents value and quality, the main elements of which can be labeled cost-based, product-based and service-based. Previous studies have shown a significant relationship between cost-based advantage and organizational performance. Firms that enjoy cost-based competitive advantages over their rivals, for example, lower manufacturing or production costs, lower cost of goods sold, and lower-price products have been shown to exhibit comparatively better performance (Gimenez and Ventura, 2002; Morgan, Kaleka and Katsikeas, 2004). Furthermore, a significant relationship between product-based advantage and the performance of organizations has also been identified. Firms that experience a product-based competitive advantage over their rivals such as, higher product quality, packaging, design and style have been shown to achieve relatively better performance (Gimenez and Ventura, 2002; Morgan et al., 2004). Similarly, research has further illustrated that there is a significant relationship between service-based advantage and organizational performance. Firms that benefit from service-based competitive advantage compared to their rivals for example, more product flexibility, accessibility, delivery speed, reliability, product line breadth and technical support have demonstrated comparatively better performance (Gimenez and Ventura, 2002; Morgan et al., 2004).

2.3.2 Managerial capabilities variable:

Managerial capability refers to a firm's skills, knowledge, and experience to be able to handle difficult and complex tasks in management and production. Collis (1994) argues that better managerial capabilities "allow firms to more efficiently and effectively choose and implement the activities necessary to produce and deliver a product or service to customers." Superior managerial capabilities have long been acknowledged as an important source to generate above normal rent for its organization (Barney, 1991; Penrose, 1959). Management capabilities in an organization are usually required for communicating and implementing strategy, maintaining beneficial relationships with internal and external stakeholders (Smircich and Stubbard, 1985; Weick, 1979) and participating in organizational resource allocation and deployment such as, organizational culture (Fiol, 1991), innovation and entrepreneurial systems (Nelson, 1991), and incentive systems (Kerr, 1975). Specifically, several researchers claim that, in order for managers to perform their managerial tasks adequately, they must possess firm-specific knowledge which is history-dependent or acquired through learning by doing (Barney, 1991). However, superior managerial capabilities is embedded in the team setting rather than a single person, where a broad set of such complementary skills of the management team as technical and human skills, is required to attain the superiority in a particular competitive market (Barney, 1991; Mahoney, 1995). By having this set of skills, the attributes of the management team may satisfy the conditions for achieving and maintaining competitive advantage (Mahoney, 1995). Accordingly, this study argued that the managerial capabilities possessed and controlled by alcohol firms positively influence the relationship between strategic change and performance.

2.4. Empirical Studies on competitive Advantage and Organizational Performance:

Mwende et al. (2013) studied the impact of the Alcoholic Drinks Control Act, 2010 on marketing strategies of East African Breweries Limited in Kenya. The specific objects were to: determine the effects of the Alcoholic Drinks Control Act, 2010 (ADCA 2010), on promotional activities by East African Breweries Limited; establish the effects of the ADCA 2010 on corporate social responsibility activities by East African Breweries Limited; assess the effects of the ADCA 2010 on the quality of alcoholic drinks and determine the effects of the ADCA 2010 on market expansion for East African Breweries Limited. The study found that the Act limits the company`s market expansion by 56% and its corporate social responsibility such as sports sponsorship by 41%. Further, the study established that the Act has led to the establishment of more illegal brews, 35%. The study variables included corporate social responsibility, promotional activities, quality products and market expansion. However, the study had some weaknesses. For example, the study did not dwell on competitive advantage as a critical dimension of strategic change. The effect of competitive advantage constructs such as introduction of new products, alteration and modification of existing products and provision of products that meet specific customer needs on performance of firms in alcohol industry in Kenya. Secondly, the study used a single measure of organizational performance, hence there is need to carry out studies that encompass measures that capture different dimensions of organizational performance (Murphy; Trailer and Hill, 1996). Therefore, little is known about the effect of competitive advantage on the relationship between strategic change and multiple organizational performance parameters such as return on sales and sales growth. This is the gap the study sought to fill.

Dirisu, Iyiola and Ibidunni (2013) studied product differentiation as a tool of competitive advantage and optimal organizational performance of Unilever in Nigeria. Data for this study was collected from a sample of customers of Unilever Nigeria Public Limited Company (Plc) to determine the relationship between product differentiation and organizational performance. The study adopted the following variables to measure product differentiation: higher product quality, product design, unique product features and new product innovation. Organizational performance was considered along the dimensions of sales growth and customer satisfaction. The study established that there is a significant relationship between product differentiation and organizational performance. However, the study failed to include and relate competitive advantage dimensions such as modifying existing products to meet unique customer needs, altering product offerings to meet unique client needs in unique environmental changes and altering offerings for new features and services to overall firm performance. The study having been done in Nigeria among the consumers of Unilever products its findings may not be generalized to other sectors such as alcohol industry in Kenya. Findings may be affected by the nature of products studied, the industry and the respondents approached. The current study unlike Dirisu, et al. (2013) used top managers as respondents who are deemed knowledgeable on matters of strategy and performance. Alcohol products are habitual in nature and are highly regulated. Therefore, a study that is specific to alcohol industry in determining the relationship between competitive advantage and performance was necessary. Therefore, little is known about the relationship of competitive advantage and performance of firms in the alcohol industry in Kenya.

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Amoako-Gyampah, and Acquaah (2008) examined the relationship between manufacturing strategy and competitive strategy and their influence on firm performance in Ghana. The study tested how competitive strategy influences manufacturing strategy and also examined the impact that manufacturing strategy and competitive strategy have on firm performance among Ghanaian manufacturing firms. Components of competitive strategy that formed the basis of this strategy were cost leadership and differentiation. Cost leadership indicators were competitive pricing, procurement of raw materials, reduction of production costs and minimization of operation costs to the firm. Differentiation was assessed with six items of advertising, developing innovative marketing techniques, influencing/controlling channels of distribution, utilizing highly skilled sales force/agents, customer service and product quality.

The study found significant and positive relationships between competitive strategy and the manufacturing strategies of cost, delivery, flexibility, and quality. The findings also indicate that quality is the only manufacturing strategy component that influences performance. Results further show that although competitive strategy does not directly affect firm performance, it does so indirectly through quality. Thus, whether a firm chooses to pursue a cost leadership or a differentiation strategy an emphasis on quality provides the most benefits with regard to firm performance. However, the study failed to evaluate the influence of competitive advantage dimensions such as modifying existing products to meet unique customer needs, altering product offerings to meet unique client needs in unique environmental changes and altering offerings for new features and services to firm performance. The study was carried out in Ghana among diverse industries such as textiles, building materials, wood products, chemicals, metals and plastics and therefore its findings may not be generalized to other sectors such as alcohol industry in Kenya. Therefore, the relationship of competitive advantage constructs such as modifying existing products to meet unique customer needs, altering product offerings to meet unique client needs in unique environmental changes and altering offerings for new features and services and performance of firms in the alcohol industry in Kenya was an important investigation.

Ali (2014) focused on the factors influencing marketing of alcoholic beverages in Kenya majoring on East African Breweries Ltd. Census method was used in the study. Data was collected using qualitative and quantitative technique and presented by tables and charts. It was found out that East African Breweries Limited must continue to predict its future through continuous scanning of the environment. The study further concluded that there were various strategies that had been adopted by East African Breweries limited. They included having done a retail consumer research, better packaging, improved brands and tastes and vigorous marketing. The study established that the adoption of these strategies had given East African Breweries a competitive advantage. It had led to a clear product differentiation, strong capability in research, had reputation in product and service quality, strong marketing ability and had commanded a bigger market share. However, the study did not investigate the effect of product alteration and modification on performance of alcohol firms in Kenya. The study did not establish the relation and the strength between competitive advantage and performance. Further, a regression model was run to determine the relationship between competitive advantage and organizational performance. Thus, a study that establishes the causal relationship between competitive advantage and performance in the alcohol industry in Kenya was necessary. This is what the current study sought to determine.

2.5. Empirical Studies on the Influence of Managerial Capabilities:

Abudho et al. (2013) studied the impact of organization characteristics on sustainable competitive advantage during strategic change in airlines in Kenya. The study employed a census survey and used a sample of 173 respondents stratified as 6 executive directors, 17 senior managers and 150 managers. The study used organizational characteristics such as business processes, structure and culture. The study found that these are required to build competitive advantage in the airline business. In times of change airline firms identify the impact the change has on the above mentioned resources and capabilities because they are ultimate factors for success. The change process should result in better ways of utilizing these resources and capabilities to build competitive advantage. However, the research failed to incorporate operational role of firm characteristics such as managerial capabilities in the target influence to establish their role in organization performance during strategic change process in other sectors. In addition the airline industry is mostly a service industry with a distinct clientele and different critical success factors as compared to the alcohol industry which deals with a variety of products and has mixed clientele. The organizational characteristics impacted on by strategic change in the alcohol industry are different from those in the airline industry and can easily be copied. Therefore, little is known about how unique firm characteristics in the alcohol industry such as managerial capabilities influence the relationship between competitive advantage and performance of alcohol firms in Kenya.

Ismail, Rose, Abdullah and Uli (2010) empirically examined the relationship between organizational competitive advantage and performance moderated by the age and size of firms. The research was conducted among 127 manufacturers listed in the 2008 Federation of Malaysian Manufacturers Directory. A cross sectional study was conducted using a structured questionnaire to obtain responses from the manufacturers. A two-way ANOVA shows that only the age of firms is a significant moderator in the relationship between competitive advantage and performance, and that this relationship is stronger for older firms. The study found that size of firms does not significantly moderate the relationship between competitive advantage and performance. Overall, the study provides empirical support for the Resource-Based Theory (RBT) of Malaysian manufacturers regarding the issue of competitive advantage. However, the study suffers from some limitations. For example, the moderating variables used did not capture the organizational variables such as managerial capabilities in order to establish the role of intangible resources on the relationship between competitive advantage and organizational performance in the alcohol industry in Kenya. The role of managerial capabilities in the relationship between competitive advantage and organization performance in the alcohol industry in Kenya as opposed to manufacturing sector is yet to be explored considering that different industries have different critical success factors. In addition the study was conducted in Malaysia and not Kenya and therefore given the differences in economic conditions the findings cannot be generalized to Kenyan context. In addition the study focus was not industry specific since every industry has unique critical success factors. Furthermore, the study used questionnaires with closed ended questions to collect data. Closed ended questions have the disadvantage of limiting the responses whereby the respondent is compelled to answer questions according to the researcher's choice.

O`Cass and Julian (2003) examined the impact of specific firm characteristics, environmental characteristics and marketing mix strategy on export marketing performance. Data were gathered via a mail survey of firms exporting from Queensland, Australia. The results indicate that firm characteristics and environmental characteristics impact significantly on both overall performance and marketing mix strategy adaptation by exporting firms. The firm characteristics employed were product uniqueness, firm experience, supportive distribution and resource commitment. The results revealed that the characteristics of the product had a significant influence on export marketing performance. A product that is unique, culture specific or is one that enjoys a degree of patent protection over competing products appears to have a differentiation advantage in the market place enabling the firm to use an adapted strategy leading to better performance. However, except for product uniqueness the study did not include managerial characteristics as constructs of firm characteristics. The role of managerial capabilities in assembling, integrating and carefully allocating resources in the relationship between strategic change and performance cannot be overlooked.

In addition the conceptualization posits a link between firm, environmental characteristics and performance through export marketing mix strategy, highlighting the central role of marketing mix strategy in determining performance. The current study links strategic change aspect of competitive advantage and organizational performance influenced by managerial capabilities as firm characteristics. Further, while the findings of this study may apply to the particular region given that it included major industries, they may not be generalized to sub- Saharan Africa Kenya included. There is need to examine particular industries to establish the success of particular firms to pursue specific strategies. Organizational performance (OP) was measured using specific product export marketing performance. The study used a single measure of OP which does not capture all aspects of performance. It will not be easy to tell how firm managerial capabilities impact on other aspects of OP. Therefore, little is known about the influence of managerial capabilities on the relationship between competitive advantage and organizational performance measures such as return on sales, sales growth.

Yin (2012) examined the effects of managerial capability and organizational culture on hotel's financial performance and customer satisfaction in Chinese lodging industry. Data were collected from the tourist hotels` senior managers from three star and above in two North-East cities in China. The census sampling was applied in both cities. The general response rate was 45 percent. By using structural equation modeling as the main data analysis tool, the results found that both hotel's managerial capabilities and organizational culture have no impact on its financial performance. However, hotels' managerial capabilities have significant impacts on customer satisfaction and of customer satisfaction on financial performance in the Chinese lodging industry. Managerial capabilities were measured by only three items yet the current study used five which are not similar. Yin (2012) used organizational culture and managerial capabilities as independent variables but the current study utilized managerial capabilities' role to establish their effect on the relationship between strategic change and performance. The study was conducted in a more developed economy unlike the current study. The study was carried out in hotel industry. It did not take into account industry effects on performance. The questionnaire items were measured on a seven-point Likert scale ranging from 1: "strongly disagree" to 7: "strongly agree". The current study used a five point Likert scale ranging from 1: not at all to 5: to a large extent.

Kiganane, Bwisa and Kihoro (2012) studied the moderating influence of firm characteristics on the effect of mobile phone services on firm performance. The study used location, category of the firm, gender, education level, religion and age bracket of the entrepreneurs as firm characteristics. The study was carried out in Thika town in Kenya. The study adopted exploratory research design. It used longitudinal data for the past three years so as to track the magnitude of change that would have taken place. Use of a questionnaire backed up by field observation was also used. A representative sample of 120 was used and a two-stage sampling technique was employed. The findings revealed that firm characteristics have no statistical significant influence on the effect of mobile phone services on firm performance. Kiganane, et al. (2012) did not incorporate internal firm aspects such as managerial capabilities to establish their influence on performance but focused mostly on the personal traits of the entrepreneurs. Flexible and inimitable resources allow firms to explore distant market opportunities and to diversify widely. The resources possessed by a firm are the primary determinants of its performance. By not focusing on firm attributes embedded within the firm the study failed to show how internal resources contribute to performance.

3. METHODOLOGY

The study used descriptive research design of cross sectional type. Tanur (1982) asserts that a survey is a means of collecting information about a large group of elements referred to as population.

3.1 Description of the Area of Study:

Nairobi is the capital city of Kenya, a County and one of the country's entry points. Nairobi is found on a latitude of 1°17′S and longitude of 36°49′E at an elevation of 5889ft above the sea level. It has a well-developed infrastructure in terms of road, railway and air transport; water, electricity, security and a large pool of skilled labor and, ready market. It is therefore the commercial and financial hub of the country. It is the most populated City County. It is therefore, from the foregoing, suitably situated for manufacturing, trading and service industries to meet a larger consumer potential in the country. This has led to a high concentration of firms in and around it. Most of the breweries and distilleries have subsidiaries and therefore tend to be concentrated in one place and in this case Nairobi. It has twenty out of the twenty eight alcoholic beverage manufacturers licensed by Kenya Revenue Authority by the year 2012 and approved by National Campaign Against Drug and Alcohol Abuse (NACADA) by 2015. Naivasha has one of the locally owned breweries in Kenya. It is found on latitude of 0.7172°S and a longitude of 36.4310°E while Nakuru and Kisumu which open up to Rift Valley and Western Kenya respectively are located on the latitude of 0.3031°S and longitude of 36.0800E, and 0.0884°S 34.7770°E respectively.

3.2 Study Population:

The unit of analysis was the top firm managers. The population of study comprised 28 alcohol firms: two breweries and 26 wines and spirits firms. Three firms were used for piloting. The firms are involved in the production and distribution, sale and marketing of alcohol in Kenya.

3.3 Sample Size and Sampling Technique:

A census survey was conducted on the firms which were registered by the Kenya Revenue Authority as at December 2012 and approved by National Authority for the Campaign Against Drugs and Alcohol (NACADA) by 2015 for licensing. Thus, a census survey was conducted on 25 firms in the alcohol industry in Kenya. Questionnaires were sent to the firms and respondents constituted four senior staff of each of the firms. According to Olsen and George (2004) either the entire population or a subset thereof is selected. In order to avoid the possibility of common method variance associated with reliance on single respondents, (Bowman and Ambrosini, 1997), a saturated sample of 100 top management team members from the 25 firms considered key resource persons in matters of strategy and firm performance was used. Respondents, selected on saturated basis comprised 25 chief finance officers and 25 marketing managers, 25 chief executives and 25 other managers responsible for strategic issues, and or supplying informational input on which strategic decisions are based in their respective organizations. The responses were aggregated to provide a more representative data for the firm. Table 3.1 shows the sampling frame for the study

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Table 3.1: Distribution of Alcoholic Firms in Kenya

No.	Business unit	No. of firms	Sample	Respondents	Percentage
1	Breweries	2	2	8	8
2	Wine and Spirits distillers	23	23	92	92
	Total	**25**	**25**	**100**	**100**

Source: NACADA, 2015

3.4. Data Collection:

The study mainly used primary data collected on different aspects of competitive advantage and firm characteristics obtained from senior managers conversant with key strategic issues who were issued with questionnaires. The study aimed to capture data relating to the period between 2011 and 2015.

3.4.1 Data Collection Procedure:

The respondents who are senior managers considered key resource persons in matters of strategy were first contacted via introductory letter to inform them about the purpose of the study. The main instrument for data collection was a semi structured questionnaire since they are fast, cheap and can be self-administered (Mugenda and Mugenda, 1999). Primary data was collected using interviews with firms' employees who are personally involved at different stages of the change process. The literature has long maintained that the chief executive officer (CEO) should be the single respondent in such studies as they are considered to possess the most overall understanding and knowledge of the firm`s strategy and performance (Byars, 1984; Elbana and Child, 2007).

3.4.2 Instruments for Data Collection:

Questionnaires with closed ended questions were used as questionnaires are considered the best in collection of primary data. Mugenda and Mugenda (1999) states that questionnaires provide an avenue for the researcher to ask probing questions, they are fast, cheap and can be self-administered. This study used respondents' perceived organizational performance measures. This was consistent with studies by Newbert (2008) and those that were reviewed in empirical literature (Yin, 2012; Amoako-Gympah and Acquaah, 2008). Perception-based performance measurement is common in strategy research (Hall, 1992, 1993; Hatch and Dyer, 2004). Several researchers (Dess and Robinson, 1984; Spanos and Lioukas, 2001) suggest that even if information is obtained by subjective measures in a sample survey research, the results are often very accurate since the measurement instrument is specifically designed to address the research questions. Two measures of performance were used in this study. They included return on sales and sales growth. For each measure, the respondent was asked to indicate the extent to which performance of his/her firm compares over the past four years. A five point Likert-type scale ranging from 1=low to 5= highest was used. Performance measures were limited to sales growth and return on sales. Other measures such as profitability were omitted because of the desire to obtain a large response rate.

3.5. Reliability Tests:

This study collected data and information from the respondents who provided sufficient information on issues regarding the relationship of competitive advantage and managerial capabilities on organizational performance of firms in the alcohol industry in Kenya. Reliability of the instrument for data collection was tested by assessing the scale's internal consistency- the degree to which the items that make up the scale 'hang together'. The internal consistency of the constructs was tested by internal consistency method using Cronbach`s Alpha coefficient. Reliability analysis was carried out on all items to check the internal consistency of the scales and constructs. The study adopted a 0.70 Cronbach`s alpha coefficient. According to Orodho (2009), a questionnaire has good internal consistency if the Cronbach alpha coefficient of a scale is above 0.7. The study`s Cronbach alpha coefficient established was .881, as indicated in the SPSS output, Table 3.2.

Table 3.2: Cronbach Alpha

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.882	.881	9

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3.6. Validity Tests:

Questionnaires were tested for content validity to establish the quality of the instruments. Content validity is a qualitative type of validity where the domain of the concept is made clear and the analyst judges whether the measures fully represent the domain (Bollen, 1990). Therefore, content validity is a qualitative means of ensuring that indicators tap the meaning of a concept as defined by the researcher (Kimberlin and Winterstein, 2008; Drost, 2011) as quoted by Aila and Ombok (2015). Aila (2014) asserts that it is important to demonstrate qualitatively the measure's relevancy, consistency and suggestions for revision.

3.6.1 Content Validity:

Content validity was achieved by subjecting a pool of questions underlying dimensions of competitive advantage to six experts drawn from the academic field and practicing professionals in the disciplines of strategic management, marketing and human resource. They helped and assisted in looking at the relevance of the study issues and ensured accurate information. Content validity can be assessed through literature survey/searches (Zikmund et al. 2010) to ensure items are based on the domain of the study concepts (DeVellis, 2012) corroborated by expert/analyst judgment and review suggestions (Bolliger and Inam, 2012). The experts provided guidance and advice. They expressed their agreement/disagreement with the use of different items on a Linkert scale of 5 points. The comprehensive literature review and proofreading done helped in incorporating relevant issues in the study. These issues helped the researcher in gathering and collecting relevant data from the various categories of respondents. In addition the strategic change constructs were standardized quantitative measures which were not based on the respondents' perception but rather their knowledge of the phenomenon under study. The experts revised the questions and response options until all evaluators concurred that each question and each response option fairly reflected accurately the requisite underlying dimensions for each construct. More so, the pretest results revealed that the content of each construct was well represented by the measurement of the items employed.

A pilot study was subjected to 12 respondents randomly selected. This small sample was guided by a suggestion by Saunders, Lewis and Thornhil (2007) that a minimum of ten members of pre testing are adequate. This helped in establishing whether the research process would work well and whether the instruments would collect what was intended to be collected. After the pilot was executed, the identified improvements were implemented. Then, a second round was made to the respondents that previously participated in the pilot, but with the agreed modifications. This process entailed using middle level managers as respondents that would not be used for the actual data collection and gauging the responses to the study.

3.6.2 Construct Validity:

For construct validity the model parameters were compared with those previously used in other studies such as (Morgan et al., 2004; Ismail et al., 2010) to determine the extent to which it agrees with what leading scholars Hofer and Schendel (1978) and what the theory say measures of this construct should behave. This yielded a positive result, justifying the application of the tool in examining the effect of strategic change on organizational performance. The construct validity of competitive advantage did not pose major challenges since the variables were measured using parameters consistent with those of leading scholars (Barney, 1991; Teece et al., 1997; Wernerfelt, 1984).

3.7 Data analysis:

Data was analyzed using both quantitative and qualitative methods. Descriptive statistics such as the mean and the standard deviation gave a good idea of how the respondents answered to the items on the questionnaire and how good the items measured were. The mean and standard deviation indicated whether the respondents ranged satisfactorily over the scale.

3.8 Interview Data:

The purpose of interviewing is to establish people`s perspectives on a topic. Patton (1990) explains that qualitative interviewing carries the assumption that "the perspective of others is meaningful, knowable and able to be made explicit". The study interviewed six respondents. The aim was to identify "information-rich" participants who have certain characteristics, detailed knowledge, or direct experience relevant to the phenomenon of interest (Pope and Mays, 1995).

In order to avoid suspicion, the interviews were not taped; however, extensive field notes were taken. These notes were detailed and elaborated upon immediately following each interview. The interviewees were identified by giving them numbers ranging from 1 to 6. According to Mugenda and Mugenda (1999) and Kothari (2008) the main factor considered in determining the sample size is the need to keep it manageable enough in terms of effort, time, finance and human resource representation. In general, sample sizes in qualitative research should not be too small that it is difficult to achieve saturation. Creswell (1998) recommended interviews with up to 10 people in phenomenological research and interviews with 20–30 people in grounded theory. Kuzel (1992) recommends that 6–8 data sources or sampling units often will be sufficient when homogeneous samples are selected in qualitative research and that 12–20 data sources generally are necessary.

The process of data analysis involved identifying, categorizing and coding steps. The notes made and materials collected during the interview were marked and labeled. During the process of data analysis, the researcher carefully noted ideas and opinions of the respondents. This helped the researcher gain new ideas and insights in the data collection process. The data derived from interviewing the respondents and internet document analysis were paired into themes or categories. The analysis of the interviews and information collected from the interviewees followed. The data was organized and categorized into themes for ease of analysis. The researcher carefully sought for pertinent information relating to research questions. The information was noted and labeled. The data was divided into meaningful segments for easy coding. The data was coded relating to all segments of data using descriptive words or category names.

Coding is a process for both categorizing qualitative data and describing the implications and details of these categories (Trochim, 2006). During the coding process, the researcher directly examined the data, developed and used inductive codes. Codes were used to help summarize, synthesize, and sort many observations regarding the data. Coding is the primary step of developing data analysis. The codes are used to bring together and categorize series of otherwise discrete events, statements and observations identified in the data. Initially, the data may appear to be a mass of confusing and unrelated accounts or events.

After the process of data coding, the data were grouped into themes. The researcher revised the themes/categories of the results. This way, the process of organizing, eliminating and searching of relationships was used. Information from the internet was also sampled to provide any relevant information to ascertain the relevance of information provided. The themes had a number of categories or subcategories: Competitive theme had the following categories; quality of products, ability to introduce new products, ability to modify existing products to meet unique customer needs and ability to cater to customer needs for “new” features. Lastly, managerial capabilities theme had these categories: adaptation to make different products or deliver different services; use of skills, knowledge and experience to create unique solutions for customers; Analysis of opportunities and proven potential while protecting secure financial position and continuous monitoring of the market place. These themes have been used as the framework for data presentation, analysis and interpretation in the subsequent chapter.

3.9 Research Ethics:

Research should benefit the organization and not harm it. The names of the firms and the respondents were kept confidential as required. The privacy of the participants were not overstepped at any point during data collection as the respondents were not forced into disclosing any information that they did not wish to share. Cohen et al. (2003) state that as the level of sensitive subjects increases, the participants are more likely to safeguard that information. Importantly, all the information gathered from the firms was presented as it is and was not subjected to any intentional transformation in order to affect the reputation of the companies or to modify the results of this study. The preparation for data collection lasted for some months, while making appointments, obtaining informed consent, and promising the respondents that all data will be used purely for research. All citations are noted in the text and referenced in the reference list.

4. RESULTS AND DISCUSSION

4.1: Response rate:

The target number of firms was 38 in and around Nairobi and, Nakuru, Naivasha and Kisumu. Out of the 38 companies targeted 10 had not met the Alcoholic Drinks Control Act 2010 requirements; while three firms were used for pilot study leaving out 25 firms that responded. This translated to 65.9 percent response rate. This rate was considered adequate because it was over 23.9 percent of the total population recommended (Kothari, 2006). The response rate was higher than that of Gruber et al. (2010) of 16 percent and also comparable to that of other studies directed at top managers or business owners (Dennis, 2003). Onyango (2011) managed 30 firms among small and medium enterprises in the food sector from a sampling frame of 10,000 possible SMEs in Nairobi. Therefore, the response rate was adequate for in-depth exploration. Gay (1981) pointed out that for correlation and descriptive studies, any justifiable number of subjects can be explored. Therefore, the results of the study are very much applicable to the industry since it only represented a total population of 28 members at the time of analysis.

Table 4.1: Questionnaire Response Rate

	Number Sampled	Return rate, f (%)
Firms	25	23 (92.0)
Senior Managers	100	93 (93.0)

Source: Survey data (2016)

4.1.1: Position of the Respondents:

The study sought to investigate the position of the respondents in their firms as summarized in Table 4.2.

Table 4.2: Position of Respondents in Their firms

	Frequency	Percent	Cumulative Percent
Chief Executive Officer	3	3.2	3.2
Finance Manager	27	29.0	32.2
Sales and Marketing manager	25	26.9	59.1
Others	38	40.9	100.0
Total	93	100.0	

Source: Survey Data (2016)

This was considered necessary because the accuracy of the information collected on the firms' competitive advantage and organization performance depends on the position of the respondents. From Table 4.2, it is clear that the top management team members were well represented in the study as respondents. Chief executive officers took 3.2% of the slots, being the least representation. Other top management team members, excluding finance managers and marketing officers, were the majority of the respondents at 40.9%. This included quality assurance, winery, production and brand managers.

4.1.2: Profile of the participating firms:

Table 4.3 summarizes the profiles of the firms in the alcohol industry which were involved in the study.

Table 4.3: Company profiles

Bio data of the respondents	Counts (n=23)	%
Major shareholding		
Public	1	4.3
Private	21	91.3
Mixed shareholding	1	4.3
Total	23	100.0
Market coverage		
East Africa	3	13.0
Kenya	20	87.0
Total	23	100.0
Number of employees		
Less than100	19	82.6
100 – 499	1	4.3

500 – 999	1	4.3
1000–3499	2	8.7
Over 4000	0	0.0
Total	23	100.0
Duration of service of the company		
Less than 3 years	0	0.0
3 – 5 years	0	0.0
Over 5 years	23	100.0
Total	23	100.0
Number of brands		
Less than 3 brands	13	56.5
4 – 6 brands	5	21.7
Over 6 brands	5	21.7
Total	23	100.0

Source: Survey data (2016)

From the exploratory data analysis the findings of the study show that a significant majority, 91.3% of the firms in the alcoholic industries in Kenya were privately owned; 4.3% of them are public and only 4.3% is partly private and partly public. It was also noted that all the 23 firms had been in existence for more than five years. Therefore, the firms which had been in existence before and after strategic change were better placed to disclose whether their performance could be attributed to change in strategies On the number of brands of alcoholic drinks the firms were trading in, the study findings indicate that most of the organizations dealt in less than three brands. This was reflected by more than half 56.5% of the senior managers who took part in the study. This implied that there was some element of brand identity and specialization among the firms in the alcoholic industry.

On employment, it emerged that a significant majority of 82.6% of the firms within the alcohol industry only employed less than a hundred employees, while the ones which employed between 1000-3999 personnel were only composed of 8.7% of all the firms in the alcoholic industry in Kenya. On the market coverage, it was established that only 13.0% of the firms operated within East Africa as a whole, while most 87.0% of them had their market share within Kenya as country.

4.2: Findings on the Performance of Firms in the Alcohol Industry Kenya:

The study first sought to explore the dependent variable; performance of firms in the alcohol industry in Kenya. The effect of independent variable competitive advantage, and managerial capabilities were measured on organization performance of the firms in alcohol industry in Kenya. The organizational performance was investigated through the use of a Likert-scaled questionnaire which sought the respondents` opinions on how they thought their firms had performed in the last five years in relation to strategic change aspect of competitive advantage. The constructs of the questionnaire were based on the real output measured against the intended or expected output as reflected by the two main performance indicators i.e return on sales and sales growth over past 5 years. The respondents were to rate each statement with 1 = lowest, 2 = low, 3 = average, 4 = high and 5 = highest, based on the perception of their organizational performance. The views were computed as percentage frequencies as shown in Table 4.4

Table 4.4: Organizational Performance Results

Item	Lowest 1	Low 2	Average 3	High 4	Highest 5	Mean	St. Dv
Return on sales	0 (0.0%)	0 (0.0%)	57 (61.3%)	22 (23.7%)	14 (15.1%)	3.51	0.72
Firm total sales growth over past 5 years	0 (0.0%)	1 (1.1%)	30 (32.3%)	38 (40.9%)	24 (25.8%)	3.93	0.78
Average						3.71	0.67

Source: Survey data (2016)

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These findings were corroborated with a mean of 3.71 indicating that majority of the respondents were in affirmative that their organizations performance was high and standard deviation (SD) of .67 revealing that their views were not very varied. However, individually, return on sales received the least ratings (M=3.51 and SD=0.72). Nonetheless, in a range of 1-5 from the Likert scale, these findings indicate a strong approval of the items by the respondents implying that performance of alcoholic firms are generally rated high by their top managements.

4.3: Findings on Competitive Advantage and Performance of Alcohol Firms:

The objective was to establish the relationship between competitive advantage of firms in the alcohol industry in Kenya and their performance. It was investigated by use of a pre-designed questionnaire tailored to collect the views of the members of the senior management team on competitive advantage of firms in the alcohol industry. A five itemed questionnaire was used to collect the views of respondents. The statements constructs included, quality of product and services, introduction and modification of products and services and catering for varied customer needs. The views of the senior management team members who took part in the study were as in Table 4.5.

Table 4.5: Respondents' Views on Competitive Advantage (n=93)

Item	NA 1	TAE 2	TME 3	TLE 4	TVLE 5	M	SD
Overall, our customers rate the quality of our products and services as excellent.	0 (0.0%)	4 (4.3%)	12 (12.9%)	64 (68.8%)	13 (14.0%)	3.92	0.66
We have been able to introduce completely new products and services.	0 (0.0%)	8 (8.6%)	15 (16.1%)	61 (65.6%)	9 (9.7%)	3.76	0.74
We have been able to modify existing products to meet unique customer needs.	0 (0.0%)	16 (17.2%)	14 (15.1%)	54 (58.1%)	9 (9.7%)	3.60	0.89
We altered our product offerings to meet unique client needs and unique environmental changes.	2 (2.2%)	20 (21.5%)	13 (14.0%)	40 (43.0%)	18 (19.4%)	3.59	1.07
We have catered to customer needs for "new" features.	0 (0.0%)	15 (16.1%)	8 (8.6%)	60 (64.5%)	10 (10.8%)	3.70	0.87
Average						3.72	0.70

Key: 1=NA-Not at all; 2=TAE-To a little extent; 3=TME-To a moderate extent; 4=TLE-To a large extent; 5=TVLE-To a very large extent; M-Mean; and SD-Standard deviation.

Source: Survey data (2016)

It has been established from the findings of this study that most firms in the alcohol industry in Kenya strive to outdo their competitors in one or more ways that their competitors cannot match. It was noted that this competition rests in the perceived quality of products, introduction of new products and modification of existing products to meet the unique client needs and environmental changes. For example, majority of the managers who took part in the study agreed, to a large extent, that their firms have been able to introduce completely new products and services, which they said had significant influence on organization performance. This is reflected in a mean rating of 3.76 and standard deviation of .74. Geroski et al. (1993) note that a new product can have a temporary effect on a firm's financial position due to the specific product innovation, or could have a permanent effect because it transforms competitive capabilities. These results also confirm previous findings of strong sales effects of new-product introductions (Booz, Allen and Hamilton, 1982).

On the same note, it emerged from the study findings that considerable proportion of the firms have been able to modify existing products to meet unique customer needs. This was indicated by 68.6% of the firm managers who participated in the study. In addition, more than four out of every five, 82.8%, senior managers of firms in the Alcohol Industry observed that in overall, their customers rate the quality of their products and services as excellent as reflected in a mean of 3.92 and standard deviation (SD) of .66.

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Similarly, the findings of the study show that most firms have altered their product offerings to meet unique client needs and unique environmental changes, as revealed by 62.4% of the managers from those firms with a mean of 3.59 and SD of 1.07. On the contrary, it was discovered that 23.7% of respondents were of the general opinion that offering new products to the market do not necessarily improve organization overall performance. Nonetheless, it emerged from the findings of the study that most of the firms in the Alcohol Industry have always strived to cater for the customer needs for "new" features, as revealed by 75.3% of the senior managers of these firms who took part in the survey, mean 3.70 and SD of .87.

Using a five point Likert scale, the overall mean of the responses was 3.72 which indicates that majority of the respondents agreed to the statements of the questionnaire as regards competitive advantage. However, the standard deviation of .07 indicates that the responses were varied. These results imply that competitive advantage of firms in alcohol industry positively influence performance of the organizations. These competitive advantages were generated from better quality goods, ability to introduce new products, modification of existing goods and ability to create new features.

This finding collate with the literature review: Firms that enjoy cost-based competitive advantages over their rivals, have been shown to exhibit comparatively better performance (Gimenez and Ventura, 2002; Morgan et al., 2004). Furthermore, a significant relationship between product-based advantage and the performance of organizations has also been identified. Firms that experience a product-based competitive advantage over their rivals such as, higher product quality, packaging, design and style have been shown to achieve relatively better performance (Gimenez and Ventura, 2002; Morgan et al., 2004). The results are also similar to Wang and Lo (2006) who further boost the linkage of competitive advantage and the sales performance of organizations. He measured sales growth performance by the level of sale revenue, profitability, and return on investments, yield, product added value and share in market.

This finding is also in agreement with Dirisu et al. (2013) who studied product differentiation as a tool of competitive advantage and optimal organizational performance of Unilever in Nigeria. The study established that there is a significant relationship between higher product quality and the sales growth of an organization, new product innovation and customer satisfaction of an organization and product design and sales growth of an organization. The study findings are also similar to Amoako-Gyampah and Acquaah (2008) who examined the relationship between manufacturing strategy and competitive strategy and their influence on firm performance indicate that quality is the only manufacturing strategy component that influences performance indirectly.

Interview results revealed that firms have been able to introduce new products to capture new market as one of the interviewees revealed:

"We unlocked our potential by wooing female drinkers with beer made from malt and lemon, in a bid to expand our market share. This is in addition to our existing products within our range that are popular among female drinkers all of which are affordable" (1).

To emphasize the importance of new products two thirds of interviewees noted:

"Our firm is leveraging its channels and brands to expand into niches such as low carbohydrates, which are mostly directed to women, cider, and wine. Moreover, management has plans to launch new brands and has invested capex in growth counties to realize this" (6).

For most firms, successful new products are engines of growth (Cohen, Eliashberg and Ho, 1997). Therefore, in order to boost organizational performance, executives should focus on new-product introductions. It appears the strategy to capture female customers expanded their market and therefore performance. With regard to modification of existing products it emerged from the study findings that considerable proportions of the firms have been able to modify existing products to meet unique customer needs. This was indicated by mean rating of 3.6 and standard deviation of .89 implying that to a large extent modification of existing products helped to improve performance.

In addition, respondents of firms in the alcohol industry observed that, to a large extent, their customers rate the quality of their products and services as good (mean=3.92 and standard deviation =.66. Interview findings illuminate these findings. One of the interviewees explains the importance of quality issue in alcohol industry and how the firm achieved keeping quality competitive advantage strategy:

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"The quality of products is important in this industry especially for the brand loyalty. We have quality certifications as quality indicator. Thus, we have control on the quality of our raw materials. This provides us with cost advantage that has helped us to sell our products at lower costs and higher profits" (4).

In addition one of the interviewees noted that:

"The companies` offerings have been fully integrated in addition to new products. As a result this variety in the product range has provided great advantages to the distribution and sales force in terms of achieving high penetration rates in the sales points of the firm"(6).

Nonetheless, it emerged from the findings of the study that, to a large extent, most of the firms in the alcohol industry have always strived to cater for the customer needs for "new" features, as revealed by mean of 3.70 and standard deviation of .87. The findings of the study show that, to a large extent, most firms have altered their product offerings to meet unique client needs and unique environmental changes, as revealed by mean of 3.59 and standard deviation of 1.07of the managers from those firms.

The study recognized that interviewees were likely to present their firms in the best possible manner and this situation made sometimes more difficult for the researcher to make an objective assessment of the firms. However, an analysis of internet documents revealed that Central Glass Industries remarkably supported the packaging renovation agenda of one of the firms by specifically designing and producing her new look beer bottles in Kenya and Uganda, both of which have been received very well by the markets. Thus, the study was able to link an alteration of product offerings to meet unique client needs and unique environmental changes to better firm performance. The issues of quality, new products and new product features appeared frequently implying that they were important in improving performance. These results resonate well with quantitative data results.

Consistent with these results is the findings from Ali (2014) who revealed that East African Breweries Limited has new products produced based on customers feedback, offer low priced products with higher quality, has brand/ line extensions customized to satisfy the needs of various customers. Competitive advantage contributed to organizational performance in the following ways: first, ability to produce and introduce high quality goods that led to brand loyalty and penetrate existing and/or different markets which lead to the increase in sales turnover and market share; second, catering to customer needs for "new" features and product offerings to meet unique client needs and unique environmental changes that enabled the company to create unique brands, produce more innovative and creative products, address and solve the needs and complaints of customers better.`

Previous studies have focused on the relationship between competitive advantage and organizational performance. Mwende et al. (2013) studied the impact of the Alcoholic Drinks Control Act, 2010 on marketing strategies of East African Breweries Limited in Kenya. The study variables included corporate social responsibility, promotional activities, quality products and market expansion Dirisu, et al. (2013) studied product differentiation as a tool of competitive advantage and optimal organizational performance of Unilever in Nigeria. The study adopted higher product quality, product design, unique product features and new product innovation to measure competitive advantage. Amoako-Gyampah, and Acquaah (2008) examined the relationship between manufacturing strategy and competitive strategy and their influence on firm performance in Ghana. None of these studies considered the effect of competitive advantage constructs of modifying existing products to meet unique customer needs, altering product offerings to meet unique client needs in unique environmental changes and altering offerings for new features and services to performance of firms in the alcohol industry in Kenya. However, the context of alcohol industry in Kenya the findings of this study highlights the significant role of competitive advantage dimensions such as modification and alteration of existing products to meet unique customer needs for new features on performance of alcohol firms in Kenya. This implies that the context not withstanding competitive advantage significantly contributes to performance.

4.4: Findings on the Influence of Managerial Capabilities on the Relationship Between Competitive Advantage and Performance:

To address this objective managerial capabilities as an aspect of firm characteristics was explored. This was done by use of a pre-designed questionnaire tailored to collect the views of the respondents. Likert-scaled-item type of questionnaire, in which respondents chose from 5-point score with: 1=not at all, 2=to a small extent, 3=to a moderate extent, 4=to large extent and 5=to very large extent was used. The respondents were asked to score on the statements based on their view on appropriateness of the statements to each of the firm characteristics variables. Their responses were summarized in percentages as in Tables 4.6

Table 4.6: Respondents` Views on their Firms' Managerial Capabilities

Item	NA 1	TAE 2	TME 3	TLE 4	TVLE 5	M	SD
Quickly adapts to make different products or deliver different services	0 (0.0%)	0 (0.0%)	71 (76.3%)	22 (23.7%)	0 (0.0%)	3.24	0.43
Use their skills, knowledge and experience to create unique solutions for customers	0 (0.0%)	0 (0.0%)	51 (54.8%)	42 (45.2%)	0 (0.0%)	3.45	0.50
Analyzes opportunities and selects only those with proven potential, while protecting secure financial position.	0 (0.0%)	2 (2.2%)	31 (33.3%)	50 (53.8%)	10 (10.8%)	3.73	0.68
Continuously monitor the market place	0 (0.0%)	6 (6.5%)	5 (5.4%)	72 (77.4%)	10 (10.8%)	3.92	0.65
Responds very fast to changes in the environment	0 (0.0%)	6 (6.5%)	44 (47.3%)	22 (23.7%)	21 (22.6%)	3.62	0.91
Average						3.59	0.49

Key: 1=NA-Not at all; 2=TAE-To a little extent; 3=TME-To a moderate extent; 4=TLE-To a large extent; 5=TVLE-To a very large extent; M-Mean; and SD-Standard deviation.

Source: Survey data (2016)

The overall mean of the responses was 3.59 which indicates that majority of the respondents agreed to the statement of the questionnaire as regards managerial capability. However, the standard deviation of .49 indicates that the responses were varied. These results imply that managerial capability of firms in alcohol industry influence performance of the organizations. These managerial capabilities were generated from ability to analyze opportunities and select only those with proven potential, continuously monitoring the environment and responding fast to changes in the environment. For example, the statement management analyzes opportunities and selects only those with proven potential, while protecting secure financial position received a mean rating of 3.73 implying that most respondent agreed, to a large extent, that management was important in improving performance. On the other hand the statement, continuously monitor the market place received a mean rating of 3.92 and a standard deviation of .65 revealing the important role of managerial capabilities in moderating the relationship between competitive advantage and performance.

This is how interviewee number five responded on this matter.

"They have been free to take own initiatives additionally to the group standards, but all within the budget-frame" (5).

The study argued that the managerial capabilities possessed and controlled by alcohol firms positively influence the relationship between competitive advantage and their performance. Management plays a role in the process of converting resources into something of value to customers. This involves resource identification, development, protection, and deployment; managerial skill in these activities is in itself a source of sustainable competitive advantage (Amit and Schoemaker, 1993; Castanias and Helfat, 1991).

In order to determine the influence of managerial capabilities in the relationship between competitive advantage and organizational performance the interviewees were requested to indicate what they considered to be the critical role of managers. The study established that management was important in appropriately adapting, integrating, and re-configuring internal and external organizational skills and resources toward a changing environment. One of the interviewees stated that:

"Resource allocation process comes attached with a few risks eg cognitive biases of managers can lead to improper decisions. However, our management was able to identify, develop, deploy, and protect its resources as well as to build up its competitive advantages" (4).

Further, the interview results indicated that the management revised the environment from time to time, to find opportunities and threats attributed to changes in the competitive environment. The resource based theory (RBT) positions management as the key driver of the process of recognizing, developing, and deploying resources into valuable activity. The respondents confirmed the RBT perspective that management is critical for a firm's competitive advantage and performance. The qualitative result is similar to findings of Day and Wensley (1988). Therefore, the study concludes that the managerial capabilities possessed and controlled by alcohol firms positively positively influence the relationship between competitive advantage and performance of alcohol firms in Kenya.

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings:

Research objective one sought to establish the relationship between competitive advantage of firms in the alcohol industry in Kenya and their performance. The primary concern was that firms focused on certain aspects of competitive advantage leaving out others. Previous studies concentrated on large firms in the textile, manufacturing and pharmaceutical industries in developed western economies. The studies did not incorporate the components of quality of goods, ability to introduce completely new products and services, ability to modify existing products to meet unique customer needs and alteration of products with new features. In line with previous research the study revealed that the dimensions of competitive advantage under study interact together to enhance performance.

The research also sought to assess the influence of managerial capabilities on the relationship between competitive advantage and organizational performance of alcohol firms in Kenya. The concern was that previous studies, using size and age of the firm, resource commitment and firm experience failed to solve the inconsistent results between strategic change and organizational performance. Previous studies had employed the traditional firm characteristics such as age and firm size yet the moderating influence of firm characteristics such as managerial capabilities had not been established. The findings reveal that managerial capabilities as an aspect of firm characteristics positively influence the relationship between competitive advantage and organizational performance.

5.2 Conclusions of the Study:

The research sought to establish the relationship between competitive advantage of firms in the alcohol industry in Kenya and their performance. The concept of competitive advantage had the following constructs: quality of goods, ability to introduce completely new products and services, ability to modify existing products to meet unique customer needs and alteration of products with new features. The study established that competitive advantage significantly predicts the variance in the performance of the organizations. From this finding it is concluded that competitive advantage is a major factor in determining organizational performance.

The research objective sought to assess the moderating influence of managerial capabilities on the relationship between competitive advantage and performance. The overall finding of the study was that managerial capabilities moderate the relationship between competitive advantage and organizational performance. It is therefore concluded that managerial capabilities as a component of firm characteristics transform the relationship between competitive advantage and organizational performance.

5.3 Recommendations of the Study:

From the conclusion of the research objective which sought to establish the relationship between competitive advantage of firms in the alcohol industry in Kenya and their performance it is recommended that managers of alcohol firms should emphasize more on ability to introduce completely new products and services, ability to modify existing products to meet unique customer needs and alteration of products with new features as competitive advantage strategies since they are important in determining organizational performance.

Further, it is recommended that managers in alcohol industry should view firm characteristics such as managerial capabilities as attributes that influence the relationship between competitive advantage and organizational performance.

5.4 Limitations of the study:

The study was limited by the small sample size and the resources available to the researcher. The results from the research conducted might not be representative for the whole alcohol sector given that some firms were not in operation due to none compliance with the new alcohol law in Kenya. Therefore, opinions of businesses that did not comply with the law and implement any strategy change were not included in the study. However, generalization was not the main intention since the study aimed to give a first picture of the effect of strategic change on performance. This research was limited to alcohol industry and this limits generalization.

Lastly, since the questionnaire were related to the firms` competitive advantage strategies adopted, the respondents might not have given the correct position for fear of exposing their fundamental drivers to performance.

5.5 Suggestions for Further Study:

Studies that capture the more different constructs of competitive advantage and their influence organizational performance should be carried out. The population of study is low and future study may be done by incorporating the more firms.

Further, researchers should incorporate other parameters in the target influence to establish their moderating role of other firm characteristics during strategic change process besides using other methods of analysis to show cause-effect relationships.

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