

Moderating Effect of Organizational Ambidexterity on the Relationship between Dynamic Capabilities and Performance of Food and Beverages Companies in Kenya

*Rono C. Leah; Korir M. K. & Komen J. J.

*School of Business & Economics, Moi University, Kenya

Corresponding Author's Email Address: chemelykos@gmail.com

Abstract

The main objective of the study was to assess the moderating effect of organizational ambidexterity on the relationship between dynamic capabilities and performance of Food and Beverages Companies in Kenya. The specific objectives of the study were to assess the effect of sensing, seizing and reconfiguration capabilities on performance and also the moderating effect of organizational ambidexterity on the relationship between dynamic capabilities and performance of Food and Beverages firms. The study adopted positivist philosophy and utilized descriptive and explanatory research design. Primary data was gathered by a census strategy on target population of 98 Food and Beverages Firms registered under Kenya Association of Manufacturers. Structured questionnaires were utilized in collecting data whereas inferential as well as descriptive statistics were employed in analyzing data. To test the linear variables' association, Pearson correlation was employed whereas to analyze data so as to test the study hypothesis, multiple regression model was utilized. The findings showed that sensing capabilities ($\beta=.392$, $p=.000$), seizing capabilities ($\beta=.194$, $p=.000$) and reconfiguration capabilities ($\beta=.174$, $p=.001$) positively and significantly affect performance of food and beverages firms in Kenya. There was moderation of organizational ambidexterity on the relationship between dynamic capabilities and performance of food and beverages firms in Kenya ($CI=.00$, $.05$; $p=.00$; $R^2=.33$).

Keywords: Dynamic capabilities, sensing capabilities, seizing capabilities, reconfiguration capabilities, organizational ambidexterity, performance.

INTRODUCTION

Firm performance is a concept that matters to managers of business and business research scholars. Dynamic capabilities are the link between resources of firm and business setting and thus, this concept offers a helpful lens over which to observe ways in which manufacturing firms adapt their resource base to yield newfangled aptitudes and succeeding greater organizational performance (Lawton and Rajwani 2011). Over the past decade, a rising number of scholars have anticipated dynamic capabilities to be the core of firm approach (Wilden *et al.*, 2013); value creation (Helfat, *et al.*, 2009); firm performance (Lopez, 2005; Teece, 2007) and competitive advantage (Eisenhardt & Martin, 2000; Winter, 2003; Zahra & George, 2002). The quest for how and when to react to climate choppiness and getting dynamic in the market has prompted a few researchers and vital supervisors to see Dynamic capacities as being vital to procedure and firm execution (Teece, 2017).

Food and Beverages firms is the biggest assembling sub-segment in Kenya in that in contributes 30% assembling GDP and 40% of all representatives in the assembling division (GOK, 2018). Further measurements from Kenya Association of Manufacturers have demonstrated that specific firms reported designs to close down their plants and move activities to Egypt and different nations because of

decreased benefits, rivalry, government strategies (KAM, 2018b) subsequently the premise this investigation is looking to decide the impact of dynamic capacities, authoritative ability to use both hands on manageable execution of food and drinks firms in Kenya.

Objectives of the study

The study's broad objective was to investigate the moderation of organizational ambidexterity on the relationship between dynamic capabilities and performance of food and beverages Kenyan firms. Specifically, the study sought to:

1. Assess the effect of sensing capabilities on performance of food and beverages firms in Kenya;
2. Determine the effect of seizing capabilities on performance of food and beverages firms in Kenya.
3. Examine the effect of reconfiguration capabilities on performance of food and beverages firms in Kenya.
4. Establish the moderating effect of organizational ambidexterity on the relationship between dynamic capabilities and performance of food and beverages firms in Kenya.

Research Hypotheses

1. There is no significant effect of sensing capabilities on performance of food and beverages firms in Kenya.
2. There is no significant effect of seizing capabilities on performance of food and beverages firms in Kenya.
3. There is no significant effect of reconfiguration capabilities on performance of food and beverages firms in Kenya.
4. There is no moderating effect of organizational ambidexterity on the relationship between dynamic capabilities and performance of food and beverages firms in Kenya.

LITERATURE REVIEW

Dynamic capabilities Dynamic capabilities represent a class of higher order capabilities that influence the rate at which a firm is able to respond to environmental changes (Easterby-Smith *et al.*, 2009; winter, 2003). Firms should capture value from opportunities by mobilizing their existing resources towards new innovative ways (Teece, 2014). Sensing capabilities is the strategic sense-making capacity which refers to firms' capabilities of identifying opportunities, threats, changes and competitors' possible responses to the focal enterprise's actions (Li and Liu, 2014) which requires constant scanning, searching of both external and internal capabilities of the firm (O'Reilly & Tushman, 2008; Panzda & Thorpe, 2009). Sensing capabilities is the company's capacity to take care of products, services opportunities, processes, selection of business models and identifying talent to organize firm's operational work (Cao, 2011).

Seizing capabilities ought to be the first priority in each business and in order for this to occur, it is important that the organizations be future oriented, have acceptable management abilities and be prepared to now and again strategize so as to flourish (McGrath, 2001). Reconfiguration capabilities is a firm's learning, reflected by the ability to create internal knowledge, to acquire external knowledge and to assimilate internal and external knowledge through knowledge sharing

(Cepeda & Vera, 2007; Easterby-Smith *et al.*, 2009; Vivas Lopez, 2005; Zahra & George, 2002).

Ambidextrous organizations will be capable of creating synergies between the acquirer and target to generate valuable future exploitative opportunities (Jansen *et al.*, 2008; Nemanich & Vera, 2009; Rao-Nicholson *et al.*, 2016). The existing research indicates that ambidexterity is key to organizational success and survival in the market (Benner & Tushman, 2003; Jansen, *et al.*, 2006; Junni *et al.*, 2013; Tushman & O'Reilly, 1996) and improves performance and innovation (Junni *et al.*, 2013; He Wong, 2004).

Theoretical Perspective

The strategy-based theorists believe that internal configuration of firm resources and capabilities are far more important to firm performance than the macro, structural indicators (Basu *et al.*, 2013). The two strategy-based view theories that have come to the fore of firm performance are Resource-Based View (RBV) and Dynamic Capabilities (DCs) hence have been used to ground this study. RBV theory holds that firms in the same industry perform differently because, even in equilibrium, they differ in terms of the resources and capabilities they control (Amit & Zott, 2001; Barney, 2005; Fahy, 2000; De Oliveira & Evaldo Fensterseifer, 2003; Clulow *et al.*, 2003; Fahy *et al.*, 2004; Jantunen, 2005; Palacios Marques & Jose Garrigos, 2006; Halawi *et al.*, 2006).

The resource-based view (RBV) is a managerial framework used to determine the strategic resources with the potential to deliver comparative advantage to a firm (Barney, 1991) and can be exploited by the firm in order to achieve firm performance. RBV perspective recognizes the firm's capabilities to assemble, integrate and manage these resources (Aragon-Correa & Sharma, 2003). The key to firms' success or performance lies in their ability to find or create competences that are truly distinctive (Ghobadian & O'Regan, 2008).

Conceptual framework

The study proposed a conceptual model hypothesized that dynamic capabilities affect performance of food and beverages firms in Kenya.

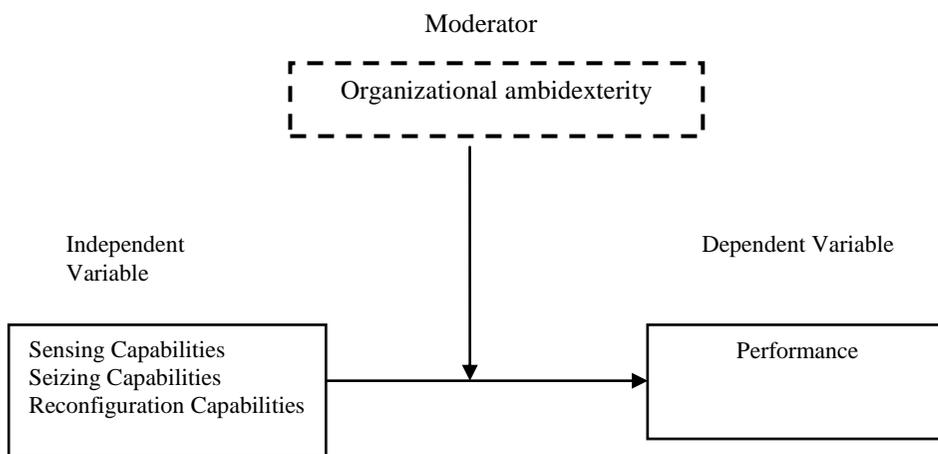


Figure 1: Conceptual Framework

Source: Researcher (2020)

According to theoretic models in literature review, the conceptual framework was adopted. In the framework, dynamic capabilities were operationalized in terms of sensing, seizing and reconfiguration capabilities.

METHODOLOGY

Research Philosophy

The study used positivistic paradigm so as to attain an objective opinion of the association between performance of food and beverages companies in Kenya and dynamic capabilities. The research employed explanatory design where the unit of analysis was senior managers drawn from a target population of 98 firms which form members of Kenya Association of Manufacturers (KAM, 2019). The data was collected through census on four senior managers of Food and Beverages firms in Kenya.

Data Collection and Instrumentation

Primary data was collected on moderation of organizational ambidexterity and sustainable indicators of performance by use of semi-structured questionnaire. The tool was espoused from premeditated management studies that have been carried out on analogous variables with slight adjustments designed at tackling the specific objectives (He and Wong, 2004; Lubatkin *et al.*, 2006; Tushman and O'Reilly, 1996). On a 5-point Likert Scale, closed-ended questions were constructed in order to offer structured comebacks to ease quantitative analysis, hypotheses testing and making of inferences to draw conclusion. Senior managers in Human Resource, Marketing, Production and Finance Departments were given the questionnaires because they are presumed to be well-informed about study area and they are the ones that handle key matters on dynamic capabilities of the firm.

Pilot study was undertaken to assist in establishing the degree of clarity of the proposed research instruments and to also identify issues in the research design that needed to be addressed prior main study (Zikmund, 2003). Construction of questionnaire were according to scales, items and measures from former literature and additional checks done through pilot study which was done among 50 non-food manufacturing firms located in Eldoret town hence enabling the researcher to know the level at which data collected and procedures for analysis yielded unswerving findings and provided guarantee that similar outcomes could be anticipated on somewhat other succeeding analogous junctures as noted by Kimberlin & Winetrstein (2008).

The first scale was the recognition of opportunities and threats from the environment which consisted of four items, adopted from prior studies (Cao, 2011; Lichtenthaler, 2009; Danneels, 2008; Jansen, 2005) while the second scale was monitoring of internal capabilities was measured using four items adopted from a previous study (MacInerney-May, 2012). Seizing capabilities had three scales which included knowledge acquisition, knowledge sharing and knowledge integration (MacInerney-May, 2012; Lichtenthaler, 2009; Jansen *et al.*, 2005). The study also adapted the scales and measures used by Santos and Brito (2012) to measure performance where 9 scales' multidimensional model of firm performance measures was used in this study were sales growth, market share, profitability, financial liquidity, return on investment, financial liquidity, customer satisfaction, employee satisfaction, environmental performance and social performance (Rongwei *et al.*, 2010; Arend, 2014; Santos & Brito, 2012). Ozer and Tinaztepe

(2014) observed that Firm performance is one of the most important constructs in management research.

Model Specification

Pearson correlation coefficients were utilized to decide the degree or quality of association existing between the free and the needy factors. Numerous relapse model was utilized to examine the information so as to decide the centrality of the theories of the investigation. So as to accomplish targets 1 to 4, the immediate impacts, straight relapse models were tried for reasons for Ho1 - H04. The test statistics that were computed and derived include the coefficients of determination (R^2); the ANOVA, the beta coefficient (β) and the p -values. Multiple regression analysis was utilized to test for direct relationship between dynamic capabilities and sustainable performance using the specified linear equations below:

$$Y = \beta_0 + \beta_1 X_a + \beta_2 X_b + \beta_3 X_c + \varepsilon_1$$

Where:

Y: dependent variable (performance)

β_0 : Constant

X_1 : Dynamic capabilities

X_2 : Sensing capabilities

X_3 : Seizing capabilities

X_4 : Reconfiguration capabilities

β_1 - β_4 : The effect of slope coefficients denoting the impact of the associated independent variables over the dependent variable coefficient of regression

ε : Error terms

The coefficients measured the independent variables' effect (sensing, seizing and reconfiguration) on the dependent variable.

Moderation Effect of Organizational Ambidexterity on the relationship between Dynamic Capabilities and Sustainable Performance

This study assessed whether organizational ambidexterity possessed a moderating influence on the association of performance (H_04) and dynamic capabilities. Hierarchical multiple regression analysis was used to test the moderating effect of organizational ambidexterity on the association between performance and dynamic capabilities hence provide evidence on whether to reject or not reject H_04 as shown in Figure 2.

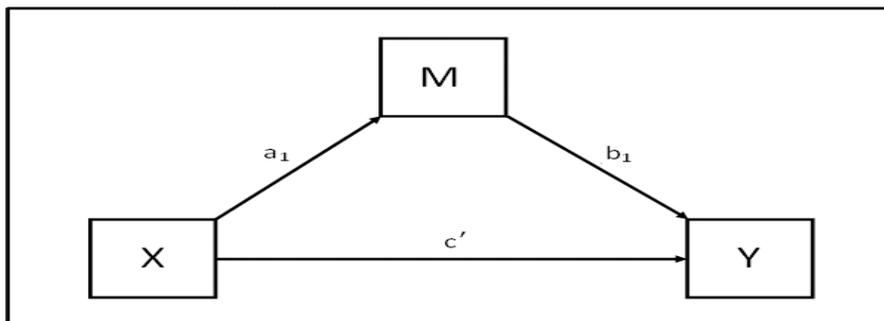


Figure 2: Testing of moderation effect

Source: Hayes, (2017)

A single regression equation forms the basic moderation model:

$$M = a_0 + a_1X + a_2W + a_3 \times W + \varepsilon$$

Where:

Y: performance

a_1 : sensing capabilities

a_2 : seizing capabilities

a_3 : reconfiguration capabilities

W: organizational ambidexterity

ε : represents the error term that is variation due to other unmeasured factors.

Data analysis

Reliability of the research instrument

The collected data was tested using Cronbach's alpha coefficients (Iacobucci & Duhacheck, 2003; Simatupang & Sridharan, 2005) discretely for every variable in order to assess homogeneity and consistency of the measures of variable (Hudson *et al.*, 2001; Suliman & Iles, 2000). Pilot study was done in non-manufacturing firms in Eldoret town and the results are shown in Table 1 hence the results enabled the researcher to know the level at which collected data and procedures for analysis yielded steady findings and gave accessible guarantee that similar outcomes could be anticipated on whichever additional succeeding analogous instances (Kimberlin & Winetrstein, 2008).

Table 1: Reliability Results

Construct	alpha coefficient	Dimensions	No. of Cronbach's
Competitive advantage	.793	Competitive advantage	9
Dynamic capabilities	.863	Sensing capabilities	11
	.827	Seizing capabilities	11
	.875	Reconfiguration capabilities	11
	.761	Organizational ambidexterity	14

Source: Research Data (2020)

Reliability was assessed using the Cronbach Alpha test and those items that were found to have an alpha coefficient of .6 and above were accepted (Fraenkel & Wallen, 2000); an alpha between .80 & .95 considered to have very good reliability because it implies very minimal error hence the results are replicable (Zikmund *et al.*, 2013) although coefficients of .62 are acceptable in social science research (Hair *et al.*, 2010). Pretest tool showed that the data collection tool was reliable enough with alpha coefficients ranging from .761 to .875 for organizational ambidexterity and reconfiguration capabilities respectively.

Response Rate

Total of 98 firms were selected for the study with four senior managers being the respondents hence making the total number of questionnaires to be 392. Results showed that 321 (81.89%) firms were found to be useful for further analysis and the remaining 71 firms (18.11%) did not respond even after several visits and telephone calls (Table 2). The high percentage of response eased assembling of satisfactory data that may well be comprehensive to determine the relationship of dynamic capabilities and sustainable food and beverages performance in Kenya.

Table 2: Response Rate of Firms

Responses	No. of firms	% Represented
Administered questionnaires	392	100
Returned questionnaires	321	81.89
Unreturned questionnaires	71	18.11
Used questionnaires	321	81.89

Source: Researcher (2020)

Correlation Analysis Results

Undertaking of correlation analysis was meant to quantify the possibility of any existing linear association between the dependent variable and the other variables through determining the magnitude and direction of the possible relationships considering that both variables are at interval level of measurement and the data is parametric in nature. Correlation is significant statistically at .05 levels if p -values are .05 and are not statistically significant if p -values are greater than .05. Pearson correlation coefficient was used to measure the relationships between the variables (Hair *et al.*, 2013 and Field 2009) as shown below:

Table 4: Correlation Analysis Results

Items	Performance	Sensing	Seizing	
Reconfiguration Ambidexterity				
Performance	1			
Sensing capabilities	.683**	1		
Seizing capabilities	.846**	.385**	1	
Reconfiguration capabilities	.778**	.401**	.427**	1
Organizational ambidexterity	.374*	.175	.279**	
.398**	1			

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

**. Correlation is significant at the 0.01 level (2-tailed)

Source: Researcher (2020)

Results in Table 4 showed that the relationship between sensing capabilities and performance is positive and significant (.683, p -value = .01) which suggests that there was 68% chance that sensing capabilities will increase performance. These results also showed that seizing capabilities was positive and significant (.846, p -value = .01) implying that seizing capabilities increases 84.6% of performance while reconfiguration capabilities was positive and significant (.778, p -value = .01) showing that 78.8% of reconfiguration will lead to performance while organizational ambidexterity had a positive and significant results (.374, p = .05) showing that it accounts for 37.4% of performance.

Testing H₀₁ . H₀₃ Results

A regression test to determine the direct effects of the independent variables was done and the findings revealed that 36.0% disparity of performance was projected

by sensing, seizing and reconfiguration ($R^2 = 36.0$) and their combined projection significant as displayed by F-change (35.27), p (.000) and Durbin Watson (1.908). The results demonstrate that all the three variables - sensing capabilities ($\beta=.392$, $p<.000$), seizing capabilities ($\beta=.194$, $p<.000$) and reconfiguration capabilities ($\beta=.174$, $p<.001$) influence performance significantly as shown in Table 5.

Table 5: Testing $H_01 - H_03$

Model	Unstandardized		Standardized			Collinearity	
	Coefficients		Coefficients			Statistics	
Variables	Beta values	Standard Error	Beta values	t	Sig.	Tolerance	VIF
(Constant)	1.176	.253		4.648	.000		
Sensing capabilities	.462	.061	.392	7.594	.000	.766	1.306
Seizing capabilities	.125	.034	.194	3.653	.000	.727	1.376
Reconfiguration capabilities	.146	.044	.174	3.323	.001	.743	1.345
R	.600 ^a						
R Square	.360						
Adjusted R Square	.350						
Std. Error of the Estimate	.332						
R Square Change	.360						
F Change	35.272						
Sig. F Change	.000						
Durbin Watson	1.908						

a. Dependent Variable: Performance

b. Predictors: (Constant), sensing capabilities, seizing capabilities, reconfiguration capabilities,

Source: Researcher (2020)

H_01 stated that sensing capabilities had no significant influence/effect on performance and the findings in the table showed that sensing capabilities had coefficients of estimate which was positive and significant ($\beta_1 = .392$, p -value = .000) which is less than (.05) implying that there was .392-unit increase in performance for each unit increase in sensing capabilities. This therefore led to hypothesis rejection and conclusion made that sensing capabilities had a significant influence on performance. Hypothesis test results indicated that sensing capabilities was a predictor of competitive advantage corroborating the findings by Osisioma *et al.*, (2016), Li & Liu (2014), Woldesenbet *et al.*, (2012), Karagouni *et al.*, 2012 and Wu (2010) among other studies. Firms that display the propensity to sense opportunities and threats so as to make timely decisions in implementing strategic decisions and changes efficiently end up pursuing the right direction in order to achieve competitive advantage (Li & Liu, 2014).

H_02 stated that seizing capabilities had no significant effect on performance. The findings displayed that seizing capabilities had a significant and positive effect on performance according to the $\beta_2 = .194$ with a p -value of .000 which is less than (.05) implying that seizing capabilities had a positive and significant effect on performance thus null hypothesis was rejected prove that seizing capabilities which comprise of correcting decisions and executing them so that they simultaneously align with the enterprises' assets and strategic goals (Li & Liu, 2014) through capturing value from opportunities by mobilizing existing resources towards these new innovative goals (Teece, 2014). Cao, (2011) used seizing capability to refer to firm's ability to attend to products, process or service opportunities, selection of business models and identifying talent to coordinate firm's functional activities by making the correct decisions and executing them so that they simultaneously align

with the enterprises' assets and strategic goals in order to maintain competitive advantage (Li & Liu, 2014).

H₀₃ of the study stated that reconfiguration capabilities had no significant effect on performance and the study findings showed that reconfiguration capabilities had coefficients of estimates which were positive and significant ($\beta_3 = .174$; p -value = .001) which is less than (.05) thus null hypothesis was rejected confirming that reconfiguration capabilities had a positive and significant effect on performance. This is the transformation of existing capabilities for example to change the form, shape, or appearance of capabilities existing within the firm (Teece, 2007) and redeployment or recombination of existing capabilities (Ahuja & Katila, 2004). Reconfiguration capabilities had a significant effect on firm performance as per the study carried out on the Indian SMEs (Batra *et al.*, 2015) that concluded that firms which reconfigured their resources according to the prevailing opportunities were more likely to succeed.

H₀₄ stated that there is no moderating effect of organizational ambidexterity on the relationship between dynamic capabilities and performance. The study findings (Table 6) showed that organizational ambidexterity moderates the relationship between dynamic capabilities and performance (LLCI = .00, ULCI = .05; $\beta = .12$, p -value = .00, R^2 change from .20 to .33) hence rejecting the null hypothesis. This objective contributed to the body of knowledge in that no research has been done on the moderation effect of organizational ambidexterity on the relationship between dynamic capabilities and performance of food and beverages firms in Kenya.

Table 6: Testing H₀₄ Results

Variables	M		Y (Moderation)	
	B	p-value	β	p-value
Size of the firm	-.03	.57	-.00	.99
Age of the firm	.11	.04	-.01	.91
Dynamic capabilities	.31	.00	.52	.00
Organizational ambidexterity	.19	.001		
Dynamic capabilities x organizational ambidexterity	.12	.00		
R^2	.20	.00	.33	
F	15.85***	.00	38.51***	

CI = .00, .05

Source: Researcher, (2020)

SUMMARY OF THE FINDINGS

The research was guided by four objectives out of which all the four were supported as follows:

Objective 1 was to examine effect of sensing capabilities on performance and the relationship was positive and statistically significant ($\beta = .392$, $\rho = 0.00$). The objective was therefore attained because there was a significant effect of sensing capabilities on performance leading to rejection of the hypothesis. Objective 2 was to assess effect of seizing capabilities on performance. The relationship was positive and statistically significant ($\beta = .194$, $\rho = 0.00$) hence the objective was attained considering that there was a significant effect of seizing capabilities on

performance thus the hypothesis is rejected. Objective 3 was to determine the effect of reconfiguration capabilities on performance and the results were positive and statistically significant ($\beta = .174$, $\rho=.001$) hence the objective was attained as shown by the significant effect of reconfiguration capabilities on performance leading to rejection of the hypothesis. Objective 4 examined the moderating effect of organizational ambidexterity on the relationship between dynamic capabilities and performance. The outcomes (LLCI = .00, ULCI = .05 $\beta=.12$ and p -value of .00) proved that organizational ambidexterity moderates the relationship between dynamic capabilities and sustainable performance hence H_04 was rejected.

CONCLUSION

This study's empirical findings verified the significant association between dynamic capabilities and performance of food and beverages companies in Kenya. The study also confirmed that organizational ambidexterity regulates the association amid dynamic capabilities and performance. Based on the hypothesis, the findings agreed with reviewed literature.

The results further showed that firms deploying appropriate dynamic capabilities embrace the possibility for an enduring performance specifically in a tempestuous environment for example those of manufacturing firms. Additionally, it was established that companies/firms having a robust assurance to arraying dynamic capabilities are additionally victorious and sustain their performance in the market than firms that do not deploy their dynamic capabilities. The outcomes propose that firms require to unceasingly deploying all firm-related capabilities as per Dynamic Capabilities View and Resource-Based View because disregarding the positioning of a sole dynamic capability may undesirably distress the placement of additional dynamic capabilities because they are interrelated and intertwined. In conclusion, the study finding present vital inferences for academic as well as empirical deliberate management literature together with practices.

RECOMMENDATIONS

Continuous studies might emphasis on a profounder investigation of every dynamic capability, particularly on the positions and paths influencing the expansion of dynamic capabilities. A longitudinal examination would likewise be important because the consequences of sending and creating dynamic capacities normally can't be found temporarily. The equivalent or a comparable report could likewise be led in different ventures or a cross-industry investigation could uncover shared characteristics and varieties in conveying dynamic abilities across businesses. Further, future investigations investigating the dynamic abilities field should include other subjective methodologies, for example, center gatherings

The study explored the evolving concept of performance in the framework of dynamic capabilities and hierarchical ability to use both hands in food and drinks firms where there is contemporary unsteady working climate that represents a regularly changing client needs consequently firms' have to endeavor to endure. This requires a change in perspective from the regular assembling generally the standard or practice to an interest based and target market-put together creation has thus center with respect to supervisor's style of affecting firm responsiveness in incorporating, constructing and reconfiguring inside as well as outside assets together with skills for endurance, using dynamic abilities.

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