



Dynamic Capabilities and Competitive Advantage of Fast Foods Restaurants

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Abstract: The study focused on the relationship between dynamic capabilities and competitive advantage of fast foods restaurants in Rivers State, Nigeria. A cross-sectional survey research design was adopted, while primary data was collected via the administration of a structured questionnaire. Three hypotheses were formulated that, the dimensions of dynamic capabilities do not significantly correlate with the competitive advantage of the firms. However, the result of the analysis disproved the null hypotheses, meaning that dynamic capabilities of the firms significantly influence their levels of competitive advantage. It was recommended that managers of the firms should encourage quick response to environmental changes, by enhancing their employees' capability to detect, monitor and respond to competition. Also, employees should be exposed to current trends, technologies and business applications in the sector to enhance their competencies which will, in turn, improve the competitive advantage of the firm.

Keywords: Dynamic capabilities, Sensing capability, Learning capability, Reconfiguration capability, Competitive advantage

1. Introduction

The achievement of competitive advantage is a major concern for strategic managers and policymakers. It occupies a central position in strategic management studies (Burden and Proctor, 2000; Barney and Clark, 2007; Liao and Hu, 2007; Barney and Hesterly, 2010). Understanding the factors and motivators of competitive advantage has led to increasing interests in the concept among scholars and practitioners (Porter, 1991; Porter & Kramer, 2006; King, 2007).

The competitiveness of a business depends on the strategies adopted by the organization to match the key success factors for operating in its market and exceeding those of its competitors (Dash & Das, 2010). That is, the ability to achieve a sustainable competitive advantage over its rivals. Hana (2013) opines that in the volatile and dynamic business operating environment, the goal of every organization is to outperform its rivals and attract potential buyers to its products and services while still retaining current customers. Competitive advantage is achieved when an organization can offer better products or services when compared with its contemporaries (Dess, Lumpkin, and Taylor, 2005), which has to do with the adoption of the right capabilities. Achieving competitive advantage helps the firm to dictate the price in its operating sector while maintaining a leadership position within the industry. It is also a very important aspect of strategic management (Dash and Das, 2010).

Notable scholars have conducted studies to determine the factors enhancing the competitive advantage of firms. These include: Barney (1991) - Firm resources and sustained competitive advantage; Saha, Jirčíková and Bialic-Davendra (2011) and Berber (2011) - Human resource management and competitive advantage; Akhtar, Khan and Mujtaba (2013) – Organizational learning capability and competitive advantage; Mata, Fuerst, and Barney (2000), and Brezni (2012) – Information technology and competitive advantage.

Besides, organizational capabilities have been studied and widely acknowledged by scholars to enhance competitive advantage and guarantee the long-term profitability of the firm (Barney, 1991; Ismail, Rose, Uli & Abdullah, 2012; Ngila & Muturi, 2016). Furthermore, Barney (1991) observes that “Organization will achieve competitive advantages only if

their resources and capabilities are scarce, rare, valuable, treasured and cannot be substituted." Specifically, dynamic capabilities are viewed as the most significant organizational capability helping in the attainment of sustainable competitive advantage over competitors (Coombs and Bierly, 2006; Ogunkoya, Hassan, and Shobayo, 2014).

Despite the numerous studies highlighting the role of dynamic capabilities in the achievement of competitive advantage by business firms, it appears that there is dearth of literature examining the effect of dynamic capabilities on firms' sustainable competitive advantage, specifically in the Nigerian working environment. Therefore, the major contribution of this study is that it examines how dynamic capabilities influence competitive advantage of Nigerian firms, focusing on the fast foods restaurants. However, the study is similar to the study of Ogunkoya, Hassan, and Shobayo (2014) who studied dynamic capabilities and competitive advantage of Nigerian banks.

2. Theoretical Framework and Hypotheses Development

2.1 Dynamic Capabilities

Dynamic capability is rooted in the resource-based view theory of the organization (Barney, 1991; Eisenhardt and Martin, 2000), most of its definitions have been in line with this theory. Helfat et al. (2007) defined dynamic capabilities as "the capacity of an organization to purposefully create, extend, or modify its resource base." It is also defined as the organizational ability to attain "new forms of competitive advantage by renewing competences – organizational resources – to achieve congruence with the changing business environment" (Wheeler, 2002). Therefore, the organization must continuously attract, strengthen, and reconstruct competencies to be at par with the dynamic business environment (Teece, Pisano, and Shuen, 1997). Eisenhardt and Martin (2000) define dynamic capabilities as firms' dispositions through which organizations adapt to reconfigure human and material resources.

Wheeler (2002) defined organizations dynamic capabilities as "firm processes that use resources, specifically the processes to integrate, reconfigure, gain and release resources to match and even create market change.", however, in this work, the dynamic capability is seen as organization's activities, procedures, and practices that enhance its competitiveness, thereby helping it to maintain a leading role in its industry.

The dynamic capability was captured in three dimensions (sensing capability, learning capability, reconfiguration capability). These dimensions are adapted from the work of MacInerney-May (2012). Together these dimensions help the organization to realize the necessity for change, formulate the necessary response to changes in the environment, and apply the right measures to remain competitive (MacInerney-May, 2012).

According to Teece (2007) sensing capability constitutes an organization's propensity to notice the changes in the environment based on its current capability. That is, sensing capability has to do with the ability to promptly recognize opportunities in the environment when it presents itself, while also, having the means to monitor threats from the environment (Teece, 2007; Barreto, 2010). The second dimension learning capability is the ability to create, acquire and share knowledge to respond to opportunities and threats from the operating environment (Eisenhardt and Martin, 2000; Verona and Ravasi, 2003). Lastly, the third dimension reconfiguration capability is the organization's potential to generate capabilities to integrate current capabilities (Lavie, 2006; Capron and Mitchell, 2009).

2.2 Understanding the Meaning of Competitive Advantage

Competitive advantage has been defined in several ways, Kay's (1993) definition of competitive advantage as "an advantage, one firm has over a competitor or group of competitors in a given market, strategic group or industry" is one of the most widely accepted definitions of competitive advantage. It has also been defined as whatever differentiates an organization or what it produces or markets from its contemporaries (Fahey, 1989). Barney (1991) distinguishes dynamic capabilities as the "implementation of a value-creating strategy which is not simultaneously being implemented by any current or potential competitors." When competitors are not able to implement these strategies, it is known as a sustained competitive advantage.

According to Berdine (2008), a company or a country's competitive advantage is defined as "a condition which enables a country or firm to operate in a more efficient or otherwise higher-quality manner than its competitors, and which results in benefits accruing." Competitive advantage comes as a result of the core competence of the organization. It is the one outstanding difference between a company and its rivals. The characteristics of competitive advantage as enumerated by

Porter (1998) include "customer focus, brand equity, product quality, Research, and Development focus".

2.3 The Relationship between Dynamic Capabilities and Competitive Advantage

Theoretically, three complementary theories have been used extensively in strategic management literature to explain the relationship between dynamic capabilities and competitive advantage and their developments. These are: 1. the resource-based view; 2. the evolutionary theory of the firm; 3. the dynamic capabilities approach. These theories and approaches each contribute and explain how organizations adopt and develop capabilities to gain and sustain competitive advantage over its contemporaries (Aguirre, 2011).

Strategic management literature has emphasized that the dynamic capabilities of the firm are the primary source of competitive advantage. Leonard-Barton (1992) submits that dynamic capabilities of the firm reveal the capacity of the organization to successfully implement actions that will lead to a sustainable competitive advantage. That is the use of creative and innovative ideas to handle any changes in the business environment.

Several studies have examined the direct influence of dynamic capabilities and competitive advantage of the firm (e.g., Wu, 2010; Hou and Chien, 2010; Ogunkoya, Hassan, and Shobayo, 2014). Hou and Chien (2010) submit that dynamic capability is a crucial determinant of a firm's competitive advantage. Similarly, Aguirre (2011) studied dynamic capabilities and competitive advantage among Mexican firms and concluded that "dynamic capabilities and competitive advantage are likely to be essential to the survival of firms in markets characterized to be innovative and in rapid technological change. It is argued that local firms ought to stimulate their dynamic capabilities to compete in markets successfully". Therefore, dynamic capabilities and competitive advantage are inseparable, as firms continuously develop capabilities to confront new capabilities from the environment.

Despite the immense research efforts in analyzing the relationship between dynamic capabilities and competitive advantage, there is still lack of in-depth empirical studies investigate this special relationship between the two concepts, especially as it concerns the Nigerian business settings. Consequently, the observation of contrasting research reports coming from the field (Ogunkoya, Hassan, and Shobayo, 2014).

In this study, it is argued that an organization's ability to recognized opportunity (sensing capability), create, acquire and share knowledge (learning capability), and generate adequate varieties to accommodate the dynamism from the environment (reconfiguration capability) is responsible for the sustainable competitive advantage of the firm. Therefore, it is hypothesized that:

H01: Sensing capability does not positively correlate with the competitive advantage of the firms.

H02: Learning capability does not positively correlate with the competitive advantage of the firms.

H03: Reconfiguration capability does not positively correlate with the competitive advantage of the firms.

3. Methodology

This study adopts a cross-sectional design in that data on the two variables collected at a single point in time. This procedure ensures that cost is minimized and the right data generated for the study (Creswell, 2003; Levin, 2006). A structured questionnaire comprises 31 statement items was developed to elicit a response from respondents. The respondents were asked to rank their organization's adoption of dynamic capabilities, while they were asked to rank competitive advantage concerning how their organization has achieved an advantage over its competitors. According to Malhorta (2004) Likert scales "require respondents to indicate a degree of agreement or disagreement with each series of statements about specific attributes," and it "forces respondents to discriminate among the selected items." All items are ranked on a five-point Likert scale.

The participants of this study were drawn from fast food restaurants which are located within the University of Port Harcourt complex, and the adjoining Choba town. Permissions were obtained from the managers of these restaurants to distribute copies of the questionnaire among their workers. A total of 120 copies of the questionnaire were distributed to the employees that included customer attendants, cashiers, marketers, and kitchen staff. However, 34 copies were not returned. The 86 copies that were returned served as the sample size for this study.

Dynamic capabilities were operationalized using twenty-six statement items describing it three dimensions (sensing -, learning -, and reconfiguration capabilities). Sensing capability was measured using eight items, for example, "we periodically review the likely effect of changes in our business environment (e.g., regulation) on customers." Ten statement items was used to measure the learning capability dimension of dynamic capabilities, with such items as "We frequently acquire knowledge about technologies and market trends from external sources; we have the capabilities to effectively develop new knowledge or insights that have the potential to influence product development." Similarly, reconfiguration capability was operationalized using seven statement items as "We can effectively integrate new externally sourced capabilities and combine them with existing capabilities into 'novel' combinations." All the items were taken from the work of MacInerney-May (2012) and adapted. To measure the dependent variable – competitive advantage, five statement items were adopted from Porter (1998) with such item as "Our products and services are superior to the competition."

Content and face validity confirmed the validity of the measuring instrument. To ascertain the content validity of the instrument, all the items were sourced from extant literature. Specifically from the works of Porter (1998), and MacInerney-May (2012), in these studies the items were confirmed adequate and valid to describe the variables. Further steps were taken to ensure the validity of the instrument in the Nigerian working environment by seeking the opinion of scholars in the field.

The instrument was reported reliable in the studies they were adopted from. Albeit, the reliability was further confirmed via the Cronbach Alpha values obtained from the analysis as shown in table 1 below. All the measures returned Cronbach alpha values which are above .7 as prescribed by Nunnaly and Bernstein (1994).

Table 1: Reliability analysis of dynamic capabilities and competitive advantage

Construct	Number of items	Dimensions	Cronbach alpha
Dynamic capabilities	8	Sensing capability	.89
	10	Learning capability	.86
	7	Reconfiguration capability	.79
Competitive advantage	5	Competitive advantage	.78

4. Results and Discussions

Data generated from the respondents were analyzed using the Kendall (1955) correlation coefficient statistical technique through the Statistical package for social sciences (SPSS) version 22. The Kendall's tau correlation coefficient is an effective technique used in the measuring of association between two variables. As noted by Hauke and Kossowski (2011) the most significant difference between Kendall's tau correlation coefficient is that "its distribution has slightly better statistical properties, and that there is a direct interpretation of this statistics regarding probabilities of observing concordant and discordant pairs." The results obtained are shown in table 2 below:

Table 2: Correlations between dynamic capabilities and competitive advantage

			Competitive Advantage
Kendall's tau_b	Sensing Capability	Correlation Coefficient	.814**
		Sig. (2-tailed)	.001
		N	86
	Learning Capability	Correlation Coefficient	.799**
		Sig. (2-tailed)	.000
		N	86
	Reconfiguration capability	Correlation Coefficient	.714**
		Sig. (2-tailed)	.000
		N	86

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

The result showed that all the dimensions of dynamic capabilities (sensing-, learning-, and reconfiguration capabilities) have a positive and significant correlation with competitive advantage of the fast food restaurants, with sensing capability returning tau of .814, $p = .001$, learning capability having .799, with $p = .000$, and reconfiguration capability having tau = .714 and $p = .000$.

Based on the results obtained above, the formulated hypotheses 1-3, which stated that the dimensions of dynamic capabilities (sensing -, learning -, and reconfiguration capabilities) have a positive relationship with the competitive advantage of the firms were accepted.

4.1 Discussions

The study was concerned with the relationship between dynamic capabilities and competitive advantage of fast food restaurants in Rivers State. Hypotheses were developed that, the dimensions of dynamic capabilities positively correlate with a competitive advantage of the firms. However, the result of the analysis affirmed the null. This means that the dynamic capabilities of the firms significantly influence their level of competitive advantage. This is in accordance with several studies (e.g. Barney, 1991; Aguirre, 2001; Ogunkoya, Hassan, & Shobayo, 2014). Barney (1991) studied the relationship between an organizational resource and competitive, and conclude that dynamic capability as a firm resource is positively correlated with the level of competitiveness of firms. Similarly, in a study of the Nigerian banking sector, Ogunkoya et al. (2014) found that competitiveness of banks in Nigeria relies upon their level of dynamic capabilities. Hou and Chien (2010) asserted that "dynamic capabilities as the ultimate source of competitive advantage is at the forefront of strategy research." Likewise, Wu (2010) dynamic capabilities positively affect competitive advantage.

Despite the seemingly great significant role played by dynamic capabilities in the enhancement of the competitive advantage of firms, there have been conflicting reports regarding the effect of dynamic capabilities on other organizational outcomes (Zahra et al., 2006; Barreto, 2010). Drnevich and Kriauciunas (2011) reported that dynamic capabilities have an inverse relationship with firm performance. Similarly, Protogerou et al. (2011) submitted that "there is no direct performance effect of dynamic capabilities" and that operational capabilities immensely moderate the influence of dynamic capabilities on organizational performance.

5. Conclusion and Recommendations

This study concentrated on the relationship between dynamic capabilities and firm's competitive advantage, focusing on the fast foods sector of the food industry. The analysis revealed that the dimensions of dynamic capabilities are positively correlated with the competitive advantage of the firms. This finding was from several previous studies and has confirmed the strategic position of competitive advantage in the strategic management literature.

Based on these findings, the following conclusions were made:

- That, sensing capability helps enhance firms' competitive advantage through the early detection of competition.
- Also, learning capability strengthened an organization able to identify and acquire needed knowledge both internally and externally which ultimately lead to competitive advantage.
- Reconfiguration capability drives the firm's competitive advantage by recognizing and transforming existing knowledge into new resources

5.1 Recommendations

The following recommendations are therefore put forward:

- The fast-food restaurants' managers should endeavor to encourage quick response to environmental changes, by enhancing their employees' capability to detect, monitor and response to competition.
- Conscious efforts should be made to encourage sharing of ideas among workers to build a learning culture among the employees.
- There should be frequent exposure of employees to the latest technologies, trends, business models and customer relationship management strategies in the sector.
- Employees should be encouraged to be creative in carrying out their functions, and new ideas should be encouraged and rewarded.

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Appendix 1

Questionnaire on Dynamic Capability and Competitive Advantage

This questionnaire is desired to gather information to enable me research the topic "Dynamic capability and competitive in fast foods restaurants." Kindly, indicate the extent to which you agree or disagree that the statement reflects the situation in your organization.

(1 = strongly disagree, 2 = disagree, 3 = nor disagree nor agree, 4 =agree, 5 = strongly agree)

DYNAMIC CAPABILITIES						
Sensing Capability		1	2	3	4	5
1	Our company is fast in detecting a major change in our industry (e.g., competition, technology, regulation)					
2	We often review the possible influence of changes in our operating environment (e.g., government regulation) on customers					
3	We quickly understand new opportunities to serve our clients					
4	We are very good at observing and anticipating technological trends					
5	We regularly check the quality of our functional capabilities in comparison with the competition					
6	We regularly check the quality of our functional capabilities in comparison with companies in different industries					
7	We pay great attention to monitoring the change of functional capabilities					
8	After changing existing capabilities or integrating new capabilities, we pay great attention to monitoring the efficiency of new processes					
Learning Capability		1	2	3	4	5
1	We frequently acquire knowledge about technologies and market trends from external sources					
2	We strategically identify and acquire external knowledge (e.g., market, technology) very quickly					
3	Employees of our unit regularly visit other branches to learn about new technologies, trends, or business models					
4	Existing knowledge (e.g., market or technology) is readily available to each department within our business unit					
5	Our business unit periodically circulates codified knowledge in the form of documents (e.g., reports, newsletters) to update other units					
6	During major changes (e.g., market or technological development), every department is made to know quickly					
7	Our employees have the capabilities to produce many novel and useful ideas					
8	Within this business unit, we have the capabilities successfully to learn new things					
9	We have the capabilities to effectively develop novel ideas with the potential to impact on product development					
10	When solving problems, we can rely on good cross-departmental support					
Reconfiguration Capability						
1	We effectively transformed available knowledge into new resources (e.g., new organization structure, new technical equipment)					
2	Our employees bring about changes that are outside the available capabilities					
3	Our workers effectively identify priced capability elements, connect, and combine them in new ways					
4	We can effectively recombine existing capabilities into 'novel' combinations					
5	Employees merged existing methods with new ways of doing things without losing their efficiency					
6	We can effectively integrate new externally sourced capabilities and combine them with existing capabilities into 'novel' combinations					
7	We can successfully integrate the new knowledge acquired with our existing knowledge					
Competitive Advantage						
1	Our products and services are difficult to mimic					
2	Our products and services are applicable to multiple situations					
3	Our products and services are unique					
4	Our products and services are sustainable					
5	Our products and services are superior to the competition					