



# Firm Competitiveness in Small Medium Enterprises in Starehe Sub-County in Kenya: What Role Does Organizational Learning Play?

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**Abstract:** Employees constitute an important segment of organization's stakeholders, and their commitment is vitally important in ensuring stability and effectiveness of organizations. Due to changes in the human resource area witnessed in the 21st century, the expectations of employers from their employees have been changing as well, predominantly with investigative studies showing that these expectations are becoming complex with time. The concept of organizational learning has grown in latest times due to the pressures facing modern organizations to adapt and stay competitive in the ever-changing business environment. Many scholars of this concept agree that companies can only realize a viable competitive advantage if they can learn at a pace that is faster than their competitors. This study sought to investigate effect of organizational learning on firm competitiveness of SMEs in Starehe Sub-County in Kenya. The research variable was underpinned on the resource-based view of the firm. Descriptive research design was used in this study. The study target population was 350 SMEs registered in Starehe Sub-County in Kenya. Starehe Sub-County was picked due to high concentration of SMEs. The study employed stratified random sampling, with a sample size of 187-registered SMEs within Starehe Sub-County in Kenya. Primary data for the investigation was collected using a structured questionnaire. Validity of the questionnaire was assessed and confirmed using opinion from experts and review of relevant literature. A pilot study was carried out using twenty employees to support the test of reliability of the questionnaire. Descriptive statistics were analysed using frequencies, percentages, mean, standard deviation and coefficient of variation. Similarly, inferential statistics was analysed using Pearson correlation analysis and linear regression analysis. The results of statistical analysis demonstrated that organizational learning has a positive effect on firm competitiveness of SMEs registered in Starehe Sub-County in Kenya. The conclusion of the study therefore is that organizational learning positively affects firm competitiveness of SME's in Starehe Sub-County in Nairobi City County. The study recommends that SME's can utilize the discoveries of this investigation to assess how well the SMEs can enhance the employees training in order to improve on their competitiveness. The rapid changes in technology and the role of social media acting as our puppet masters, imposes the need for employers and employees to continuously renovate themselves through learning of better business strategies.

**Keywords:** Strategic agility, Organizational learning, Firm Competitiveness

## 1. INTRODUCTION

SMEs (SMEs) play a critical role in fostering economic growth of nations through provision of employment. Highly competitive environment coupled with increased customer awareness has forced all organizations to rethink their strategies in order to stay ahead of their peers in the industry. Kenya's Micro and Small Enterprises Act 2012 notes that micro enterprises are a firm, service, trade, industry or a business with an annual turnover below Kshs. 500,000 and whose staff are less than 10 people ((Micro and small enterprise act No.55 of 2012). The SME industry is characterized by free entry and exit that means competition can sometimes be too high. Successful implementation of strategies enables organizations to realize competitive edge over their competitors. Competitive strategy is realized whenever the plan developed to cover the long-term objectives of an organization is achieved, enabling the firm to become more competitive as compared to its rivals. Porter (2014) argues that competitive strategy entails being different from others in the industry that means intentionally choosing a differentiated set of actions that would lead to realization of unique mix of value. This helps organizations in availing unique products and services that match the changing customer needs.

The company capability to understand its pros, cons, challenges, prospects, and threats and its ability to respond influences its survival. Hence, only businesses that have right strategies to ensure their competitiveness in an unpredictable business setting. Strategies are vital for business to survive. Research has assessed strategies that businesses can adopt to achieve sustainable competitiveness. These include leadership, differentiation, and focus (Wright, Nazemzadeh, Parnell & Lado, 2016).

The comparative position of a business in its sector dictates its profit level. The key basis of profit that is above makes it sustainable competitiveness. Competitiveness is achieved when a business gain features that allow it surpass its competition. The advancement of hypothesis that assist in defining competitiveness have been at the forefront of management for more than 50 years (Chikán, 2016). Competition is vital in influencing the success or failure of a business. It ensures the suitability of businesses that influence its competitiveness. In this case, competitiveness entails the ability of a business to create and sustain leadership through the generation and maintenance of enhanced performance. It is vital considering the need to survive in a dynamic setting that is highly competitive (Porter, 2014). Competitiveness is defined as a concept that continues to be a foundational concept in the field.

The World Bank (2013) notes that the key source of work in developed and developing nations add more than half of their regions GDP. SME advancements is a practical means of ensuring enhancement since it suits the assets in Africa. These organizations in Kenya assumed a focal part of the region's economy act as a significant wellspring of business advancements and enterprise aptitudes. Many SMEs remain outside the conventional fiscal regions while assuming a crucial part of the economy in many nations. They create employment while leading to an expansion in the support of indigenous people in the economy. Additionally, they employ neighbourhood assets and enhance the establishment and use of innovations while offering aptitudes preparation with ease to society (ILO, 2009).

In both developing and developed, it is broadly acknowledged that Medium Scale Manufacturing Enterprises (MSMEs) assume a function in accomplishing the ideal mechanical and monetary advancement destinations of an economy (Banjoko, Iwuji, and Bagshaw, 2012; Tuan and Takahashi, 2009; Daveri and Lasinio, 2007). While their real commitment to feasible financial advancement contrasts on account of their different nature, the MSMEs which are important for the Small and Medium Scale Enterprise (SMSE) area has been hailed as basic in business creation and neediness easing (Ayyagari, Beck and Demirguc-Kunt, 2007; Tuan and Yoshi, 2010). The MSMEs likewise have unfamiliar trade acquiring potential and improve territorial financial equalization through modern dispersal (Callahan, Smith and Spencer, 2013). Because of their size, the MSMEs require moderately little capital venture for a start-up, accordingly, offering a generally high work to capital proportion (Rice and Straham, 2010).

SMEs play a significant role in the development of Kenya in regard to employment, the creation of wealth and provision of income opportunities to a significant sum of population across the nation (KIPRA, 2014). The SME industry occupies an important position in the nation's economic growth and the nation's development. This is due to the sector's continued provision of job opportunities. For example, Kenya continues to be a significant importer of second-hand merchandise (also called Mitumba) which has employed thousands of people.

## **2. STATEMENT OF THE PROBLEM**

Nairobi City County SMEs have recorded poor performance since the county is not endowed with natural resources. As a result, the residents practice SMEs for their needs. Consequently, most SMEs tend to collapse due to the lack of ample knowledge, human capital, and knowledge transfer. SMEs proprietors need better methods of overseeing and developing their organizations (Economic Survey, 2019). World Bank (2014) noticed that a significant number of the Jua Kali SMEs have imploded in a range of 5 years proof this. Kenya has about 1.6 million enrolled little and medium-sized endeavours comprising around 96 percent of all business ventures in the nation (Economic Survey, 2019). SMEs speak to the biggest area in the economy utilizing up to 83% of Kenya's labour force and contributing up to 18.4% of the nation's Gross Domestic Product (GDP) (Economic Survey, 2013). SMEs are consequently a significant part of the economy, particularly with respect to retaining a huge level of

the labour force. Difficulties of rivalry are compelling SMEs to re-examine better approaches for utilizing abilities for competitiveness and endurance. How an undertaking can envision these adjustments in their current circumstance and embrace them is critical for long haul endurance. This is particularly valid for the SMEs that need to deliberately send their capacities to keep up their serious situation notwithstanding new and rising serious market difficulties (O'Reilly & Tushman, 2008).

Khoshnood and Nematizadeh (2017) studied strategic responsiveness and its effect on the competitive aptitudes in Iranian Private Banks, the results pointed at a significant impact of organizational learning on the competitive capabilities. The study was based on Iranian Private Banks which have a different operating environment with the SMEs and thus the need to conduct this current study. Further, Salih and Alnaji (2014) when studying the effect of strategic thought and agility on strategic performance established that strategy agility is a pragmatic practice that gains returns in strategic performance. Conceptually, the study focused on strategic performance instead of competitiveness that warrants the need of the current study.

Al-Romeedy (2019) explored Egypt air's organizational learning as a competitive gain in airlines. The findings showed that Egypt air is an agile corporation. Results also stated that organizational learning significantly impacts the competitive gain in Egypt air, where reliability of delivery is significantly affected, followed by innovation, then flexibility of processing, quality of service and lastly cost leadership. The study focused on airlines in Egypt and thus the findings cannot be applicable to SMEs in Kenya due to different operating environment. Local studies on organizational learning have been undertaken, for instance Kanake (2011) assessed strategic competences as a strategic tool in Commercial Bank of Africa. The study revealed that strategic capabilities enhanced the performance of Commercial Bank of Africa. The study however, failed to show clear relationship between organizational learning and competitiveness. Similarly, Ngugi (2011) piloted research on strategic aptitudes at BBC (British Broadcasting Corporation). The study revealed that strategic capabilities enhanced the performance of BBC. The study however, failed to show clear relationship between organizational learning and competitiveness. Moreover, the study focused on BBC and thus little can be borrowed to the SME's.

Muema (2019) examined the influence of organizational learning on the competitive advantage of Private Hospitals in Nairobi County. A descriptive research design was used on the research study. The study concluded that agility strategies affect competitive advantage of private hospitals in Kenya. The study further concluded that private hospitals have put in place four major agility strategies namely, innovativeness, operation dexterity, total quality management and resource fluidity in order to improve competitive advantage. It was clear that efficiency improvement adoption is a total quality management strategy that influences the competitive advantage of private hospitals to a very great extent. The study finally concluded that private hospitals are flexible and easily adopts to changes in the environment and that their customer choose the organization for its services, order to adjust its competitive advantage. However, the study focused on private hospitals in Kenya instead of SME's. Further, the study focuses on competitive advantage instead of competitiveness and thus the need to conduct the current study. In the face of the gaps identified, this study therefore sought to establish the affiliation among organizational learning and firm competitiveness of SMEs in Starehe Sub-County in Kenya.

### **3. LITERATURE REVIEW**

#### **3.1. Theoretical Literature Review**

This study was based on Resource-based View of the Firm. Edith Penrose's (1959) the proponent of this hypothesis states that competencies are vital in influencing organizational performance. Competencies show that a company has the ability to assimilate, accumulate, and use scarce resources. The resources include skills, assets, information, processes, and company qualities. In his model, Barney (1998) contends that; the ability of a firm to acquire, develop, combine, and effectively deploy its physical and human capital enables it to become more competitive. In a rejoinder, Newbert (2008) outlines the central tenets of the RBV as; the possession of unique, non-substitutable resources. Expounding further, Barney (1991) views firm value as constituting resources that enable a firm either exploit or neutralize threat to the firm.

In the same context, Barney defines inimitability as the impossibility of other firms to duplicate the firm's unique resources. Towards this end, rarity is defined as any resource in a firm that is not available among the firm's current and future competitors. Tracing the evolution of resource-based models, Allen and Wright (2007) postulates that the dominant strategic management thinking hitherto; concentrated on external factors. According to the RBV model, competitive firms aim at exploiting the differences in resource endowments among competing firms in the market or industry.

Such firms use the variation in resources capability to build their core competencies in the industry. The critiques of the RBV theory include the phenomenon of circular reasoning as espoused by the RBV model. The lag period between idea conceptualization and operationalization of a given project forms another limitation of the RBV model since it does not account for the transition period in the conversion of capabilities into core competency. Non-imitability of unique skill sets equally enhances firm competitiveness since human capital is critical in any competitive firm (Barney, 1991). The lag period thus determines the product cycle time; particularly the period between idea conceptions to product launching (Newbert, 2008).

Resource Based Theory is subsequently utilized in this study to clarify how accessible assets might be utilized to achieve competitiveness. Companies should guarantee they have the fundamental assets as well as attempt to hold being novel. The uniqueness would influence the received procedures leading to competitive gain. This hypothesis highlights the need for companies to reliably find methods for expanding worth to buyers or clients through diminishing expenses. This is the basic motivation behind why Total Quality Management inclinations emerge in order to build viability of administration conveyance while limiting expenses of getting it done or benefits (Fiol, 2010). This theory is used to inform organizational learning and firm competitiveness.

### **3.2. Empirical Literature**

Hernaus, Skerlavaj and Dimovski (2008) in an investigation including 202 Croatian organizations utilizing more than 50 individuals conveyed an exploration on the 'Connection between Organizational Learning and Organizational Performance: The Case of Croatia'. The analysts discovered exact proof about the presence of a solid, factually huge, and positive connection between authoritative learning and hierarchical execution. Plus, they affirmed prior discoveries that monetary estimates alone are bad indicators of hierarchical execution, and that 'conduct and intellectual variations' is the authoritative learning develop variable which is the most significant for improving authoritative execution. Further, they discovered that representatives' measures are the most emphatically identified with the authoritative learning measure. The study failed to show clear relationship between organizational learning and competitiveness.

Kanga'ta (2015) conducted a study on organizational learning and operational performance in the hospitality industry in Kenya and found that learning organizations have the additional benefit of increasing operational performance in terms of contextual factors. Organizations committed to the learning discipline should look forward to increasing operational efficiencies, which translate into increased operational performance. The study finally recommended future studies to continually measure the effectiveness of the tacit learning in operational performance. Contextual gap exists in this study since the study focused on hospitality industry and thus the findings may not be generalized to SMEs sector. Conceptually, the study focused on how organizational learning affects operational performance, while the current study focuses on competitiveness of the SMEs.

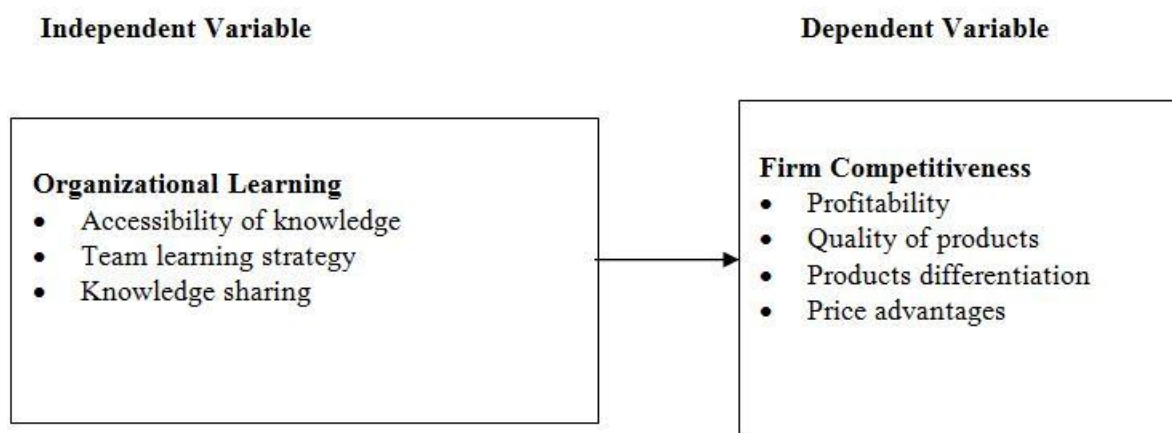
Nzioka (2010) study researched the connection between hierarchical learning and execution in business banks in Kenya and reasoned that there is a solid positive relationship between the elements of authoritative learning and hierarchical execution. Be that as it may, generative learning seems to offer more to an association's exhibition than versatile learning. In this way, expanding authoritative learning increments hierarchical execution. Contextual gap exists in this study since the study focused on commercial banks in Kenya and thus the findings may not be widespread to SMEs sector. Conversely, the study focused on how organizational learning affects organizational performance, while the current study focuses on competitiveness of the SMEs.

Odneyo (2014) examined the affiliation between organizational learning and execution of protection firms in Kenya. A cross-sectional overview was utilized to acquire essential information in this

examination. The exploration utilized populace information accumulated by methods for self-regulated surveys to the top administration individuals from all the 47 protection firms in Kenya. A sum of 25 polls were reacted to by different organizations. This information was examined utilizing spellbinding measurements that included the utilization of standard deviations, means, frequencies, and rates. The discoveries of the investigation exhibited observational proof of a factually critical, positive connection between organizational learning and organizational execution. Contextually gap exists where the study was focused on insurance firms which have a different operating environment with SMEs. Moreover, the study focused on performance instead of competitiveness.

### 3.3. Conceptual Framework

Based on the reviewed literature the study developed the conceptual framework shown in figure 1. The conceptual framework outlines the relationship anticipated to persist between organizational learning and firm competitiveness of SMEs in Starehe Sub-County in Kenya. It is expected that organizational learning as measured through accessibility of knowledge, team learning strategy and knowledge sharing directly affects firm competitiveness of SMEs in Starehe Sub-County in Kenya.



**Figure1.** Conceptual Framework

**Source:** Author (2021)

Arising from reviewed literature and resulting conceptual framework it is hypothesised that:

**H<sub>0</sub>:** Organizational learning has no significant effect firm competitiveness of SMEs in Starehe Sub-County in Kenya.

**H<sub>1</sub>:** Organizational learning has a significant effect on firm competitiveness of SMEs in Starehe Sub-County in Kenya

## 4. RESEARCH METHODOLOGY

Westphal (2016) notes that a research design consists of a set of logical processes which when followed enables a researcher obtain evidence in order to test a hypothesis. Descriptive research design was employed in this study. This research design has been widely used in social sciences involving diverse organization phenomena (Kimaru & Kinyua, 2018; Kisilu & Kinyua, 2020; King'oo, Kimencu & Kinyua, 2020; Kitur & Kinyua, 2020; Kanyoro & Kinyua, 2021; Kiprono & Kinyua, 2021). In a descriptive survey, sampling is an exceptionally fundamental cycle and should be finished utilizing the correct strategy to evade inclination (Onwuegbuzie & Leech, 2005). The decision of this exploration configuration is educated by the way that a descriptive plan permits a person to get tremendous measures of information utilizing a modest and generally straightforward procedure. Another salient feature of a descriptive survey arises from the fact that it enables a researcher to apply descriptive and inferential statistics in drawing conclusions. Marangu (2012) corroborates Onwuegbuzie and Leech by arguing that the main objective of a descriptive survey is to recast large populations using sampling techniques. In tandem with the above notion, Westphal (2016) asserts that while adopting a descriptive research design, a battery of questions is fronted to the

respondents to obtain huge amount of data in an economic way. The research design equally allows for several data manipulations including summary or responses, frequencies, and many more statistical methods to unravel relationship between the study factors.

Population is termed as a gathering of individual people, items or articles from which tests are run for estimations; it is through this that the researcher made inductions from (Babbie, 2005). The target populace for this study included SME's in Starehe Sub-County in Nairobi County. In Kenya, cataloguing of enterprises is mainly by the sum of employees engaged by firms. In Starehe Sub-County, there are 350 registered as SME's according to MSE Authority of Kenya (2019). The target population for the study was 350 SMEs in Starehe Sub-County in Kenya.

The respondents entailed managers and owners of the SMEs. The managers were chosen due to their well-defined and reliable comprehension of the SMEs operations that suggests that the outcomes can be comprehensive without many errors.

To arrive at the sample size, Taro Yamane (1967) formula as depicted in model (i).

$$n = N\{1 + N(e)^2\}^{-1} \dots\dots\dots\text{Model (i)}$$

Where;

n = Sample size,

N = Population size

e = level of precision

At 95% level of certainty, the level of precision e = 0.05, thus n is determined thus;

$$\begin{aligned} n &= 350\{1 + 350(0.05)^2\}^{-1} \\ &= 350\{1 + 0.875\}^{-1} \\ &= 350\{1.875\}^{-1} \\ &= 187 \end{aligned}$$

This research gathered primary data using semi-structured questionnaires. This is because such ensure privacy of the responses and records a high level of responses. The researcher ensured that the respondent answered the questions at their own convenient time. This is important in determining the attitudes, opinions, perceptions, and preferences of the target population in the study. Both structured and unstructured and Likert-type questions were used. Due to financial and time constraints, structured questions were used and helped in easier analysis whereas the unstructured questions were used to make respondents open-minded and offer detailed information.

A pilot study was done on twenty representatives of the SME's so as to test the validity and dependability of the examination instrument. Face, substance and develop validity address basic standard that surveys and shows how much a test estimates what it really should quantify. To test face validity, the analyst looked for assessment and educates with respect to the specialists involving the workforce in the Department of Business Administration and School of Business. Content validity is about how well or precisely the estimation instrument gives a satisfactory and agent sample of the multitude of things or parts of the particular develop being referred to. Validity is compromised if a few things are missing or are immaterial. Build validity assesses whether the particular estimation instrument truly addresses what is being estimated. The judgment requires analysing the relationship of the action being assessed with factors known to be identified with the development that is being estimated by the instrument. Its principle point is to set up the validity of the estimation instrument or technique. To test both substance and build validity pertinent hypothetical and observational writing was explored. The input from master meeting and experiences from survey of writing framed a decent knowledge for the correction and improvement of the information assortment instrument.

In this study reliability, was assessed through numerical calculation of measure of reliability known as Cronbach Alpha coefficient. If the coefficient will be above 0.7, then instruments are found to be reliable. According to Zohrabi, (2013), Cronbach alpha coefficients of below 0.50 are unacceptable as values between 0.51 and 0.69 are adequate. A value of at least 0.70 is acceptable. Cronbach value of 0.7 was considered reliable and appropriate. This threshold has been adopted by past researchers when making decisions on reliability of research instrument (Kung’u, Kahuthia, & Kinyua, 2020; Oketch, Kilika, & Kinyua, 2020; Ong’esa & Kinyua, 2020; Mugambi & Kinyua, 2020; Muthaura & Kinyua, 2021; Murerwa & Kinyua, 2021). Pre-testing data was used in the computation of the coefficient. A value below 0.6 would specify that the instruments be reworked to avoid inaccurate inferences from incorrect measures.

**Table1.** Cronbach's Alpha Values

Variable	Cronbach's alpha	Frequency	Comment
Organizational learning	0.848	6	Reliable
Firm competitiveness	0.786	6	Reliable
<b>Aggregate</b>	<b>0.817</b>		<b>Reliable</b>

**Source:** Pilot Data (2020)

From the Results shown in table 1, it was observed that all constructs had their Cronbach's Alpha Coefficient greater or equal to 0.7 with the aggregate coefficient being 0.817. It was thus concluded that the study constructs were reliable.

Once the quantitative data was collected through questionnaires, it was prepared for the analysis process where coding, categorizing and keying into SPSS for analysis was conducted. The statistics generated descriptive and inferential statistics. The definite descriptive statistics entailed percentages, sample mean and sample standard deviation whereas the inferential statistics comprised Pearson correlation analysis and simple linear regression model. Descriptive statistics and means and standard deviations were employed to assess the data and seize the features of the variables under the research. Inferential statistics were employed to assess the nature and magnitude of the affiliation among the dependent and independent variables. Simple regression analysis and Pearson’s correlations were added to establish the nature and the strength of the affiliation among the variables. The analytical model, as below, therefore was used in determining the relationship among the dependent and independent variable:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where:

Y = Firm competitiveness

$\beta_0$  = Beta coefficient for the intercept

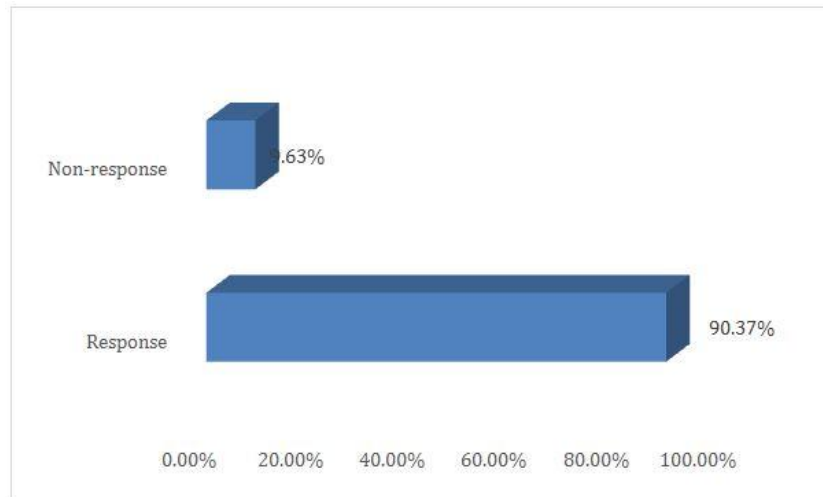
$\beta_1$ =Beta coefficients for organizational learning

$X_1$  = Organizational learning.

$\varepsilon$ =Error term of the model

## **5. RESEARCH FINDINGS AND DISCUSSION**

The researcher administered 187 questionnaires to the sample that had been selected to represent the population of the study. In this case, 18 questionnaires that had been duly filled in were received back from the field. The results of response and non-response are presented in Figure 2.



**Figure2.** Response and Non-response Rate

**Source:** Research Data (2021).

Figure 2 shows that the proportion of completed questionnaires for the purpose of the analysis was 90.37 percent. Conversely, 9.63 percent of the questionnaires were not collected from the respondents. This proportion of response rate is acceptable for facilitating generalization of results to the population as it exceeded the fifty percent threshold proposed by Mugenda and Mugenda (2003).

### 5.1. Descriptive Statistics

The research made use of mean, standard deviation and coefficient of variation as the summary measures meant to enhance insights into the characteristics of the sample. Sample characteristics were analysed using responses that had been collected from the respondents as guided by the research variable. The results of descriptive analysis formed sound basis for performing further statistical analysis that aided making of inferences regarding the population.

The researcher performed the analysis on the responses of each of the 169 respondents to the eight items that had been adopted for measuring organizational learning. This analysis yielded sample mean, sample standard deviation and coefficient of variation in respect of organizational learning. The results of descriptive analysis are displayed in Table 2.

**Table2.** Descriptive Statistics for Organizational Learning

Statements on Organizational Learning	n	Mean	Std. Deviation	Coefficient of Variation
Your organization has improved its efficiency through organizational learning.	169	3.92	0.69	18
Organizational learning helps improve decision making in your organization.	169	3.76	1.12	30
Your organization considers the concept of organizational learning as key strategy in improving the organization competitiveness.	169	3.94	1.25	32
Employees are well awarded after every completion of their training program.	169	4.00	0.86	21
Your organization has training programs to encourage organizational learning.	169	4.20	0.96	23
Your organization has implementation and evaluation analysis of the training programs.	169	4.21	0.99	24
Your organizational training programs in line to adopting organizational learning meet your organization objectives.	169	4.18	0.71	17
Your organization adopts strategies that encourage the concept of organizational learning.	169	4.30	0.88	20
<b>Aggregate Score</b>		<b>4.06</b>	<b>0.93</b>	<b>23</b>

**Source:** Field Data (2021)



Table 2 reveals that the variability of responses observed from statements on organizational learning varied between 17% and 30%. Notably, the values of coefficient of variation signify narrow variability demonstrating that individual responses to the different aspects of organizational learning measured in the SMES in Starehe Sub-County in Kenya were clustered around the sample mean of responses. This level of variability is crucial in underscoring the stability of reported sample mean and signifying the possibility of making reliable estimation of population characteristics.

As has been observed from the results, the sample means of the responses ranged between a low of 3.76 and a high of 4.30. This set of sample mean for different items approximates to a value of 4 on the rating scale used in the investigation. The implication of these values is that there was agreement amongst respondent that there was significant level of practice of activities used to measure organizational learning in the SMES in Starehe Sub-County in Kenya. These typical responses is further validated by the aggregate values of sample mean, sample standard deviation and sample coefficient of variation of 4.06, 0.93 and 23%. It can therefore be noted that the respondents were in agreement that activities signifying organizational learning were indeed crucial and thus practiced in the operations of SMEs in Starehe Sub-County in Nairobi City.

Furthermore, the researcher carried out analysis of sample measures of the responses to the statement on firm competitiveness of SMEs in Starehe Sub-County in Nairobi City. This analysis generated sample means and sample standard deviations for individual and aggregate responses as shown in Table 3

**Table3.** *Analysis of Firm Competitiveness of SMEs*

<b>Statements on Organization Innovation</b>	<b>n</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Coefficient of Variation</b>
There has been an improvement in profitability due to the firm's strategic capability.	169	4.09	0.75	18
There has been an improvement in quality of products due to the firm's organizational learning.	169	4.37	0.77	18
There has been an improvement in product differentiation due to the firm's organizational learning.	169	3.91	0.94	24
There has been an improvement in price advantages due to the firm's organizational learning	169	4.59	0.74	16
The firm has been able to generate better returns from its operations and assets due to improved innovation capacity.	169	4.5	0.66	15
<b>Aggregate Score</b>		<b>4.29</b>	<b>0.77</b>	<b>18</b>

**Source:** *Field Data (2021)*

The results in Table 3 show the analysis of responses to statement regarding firm competitiveness of SMEs. The sample mean for the five items that comprised the indicators for firm competitiveness varied between a low of 3.91 to a high of 4.59. On the other hand, the variability of these responses is generally narrow as demonstrated the sample coefficient of variability values ranging between 16% and 24%.

The implication of the resulting values of sample mean and variability is that there was agreement amongst respondents that strategic agility of SMEs were well capable of producing outcomes indicated by the items that were used to measure firm competitiveness in this study. The aggregate scores of sample mean, sample standard deviation and sample coefficient of variation for outcomes of SMEs in Starehe Sub-County in Nairobi City represented by 4.29, 0.77 and 18% respectively provide the necessary basis for carrying out further statistical analysis necessary for making conclusion on the link between strategic agility and firm competitiveness in line with the objective of this study.

## **5.2. Test of Hypothesis**

The research conducted simple linear regression analysis with an intention of establishing the statistical equation that can therefore be used to predict or determine the organizational learning on

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firm competitiveness of SMEs in Starehe Sub-County in Kenya. This was realised by regressing organizational learning on firm competitiveness. The results of the regression analysis are displayed in Tables 5, 6 and 7 respectively. The outcomes of product moment correlation assessment are depicted in Table 4.

**Table4.** *Correlations Analysis Results*

		Firm competitiveness	Organizational learning
Firm competitiveness	Pearson Correlation	1	
	Sig. (2-tailed)		
	n	169	
Organizational learning	Pearson Correlation	.739**	1
	Sig. (2-tailed)	.000	
	n	169	169

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

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

**Source:** *Field Data (2021)*

The results in Table 4 depict the Pearson product moment correlation coefficient. The correlation coefficient for organizational learning and firm competitiveness was 0.739 at a level of significance of 0.000. The correlation coefficient and the significance level confirm that there is statistically significant strong positive linear relationship between organizational learning and firm competitiveness. In line with the study findings, Hernaus, Skerlavaj and Dimovski (2008) discovered empirical evidence about existence of strong, statistically significant and positive relationship between organizational learning and organizational performance. Besides, they confirmed earlier findings that financial measures alone are not good predictors of organizational performance, and that ‘behavioural and cognitive changes’ is the organizational learning construct variable which is the most important for enhancing organizational performance. Further, they determined that employees’ measures are the most strongly related with organizational learning process.

**Table5.** *Output of Model Summary*

Model	R	R Squared	Adjusted R Squared	R	Std. Error of the Estimate	Durbin-Watson
1	0.889 <sup>a</sup>	0.790	0.753		0.896	2.235

a. *Dependent Variable: Firm Competitiveness.*

b. *Predictors: (Constant), Organizational learning.*

**Source:** *Field Data (2021)*

The outputs of the model summary displayed in Table 5 shows that organizational learning and firm competitiveness have a strong positive linear relationship as implied by the R-value of 0.889. Equally, the table shows the values of R square and adjusted R square as 0.790 and 0.753 respectively. Therefore, it follows that the adjusted coefficient of determination which provides the explanatory power of the statistical model established is 0.753. This has the implication that organizational learning explains 75.3% of firm competitiveness of SMEs in Starehe Sub-County

Analysis of variance (ANOVA) sought to provide a statistical test for the model fitness. The outputs of this test are presented in Table 6.

**Table6.** *Results of Analysis of Variance*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.460	1	19.460	21.015	0.00000
	Residual	154.642	167	0.926		
	Total	174.102	168			

a. *Dependent Variable: Firm competitiveness*

b. *Predictors: (Constant), Organizational learning*

**Source:** *Field Data (2021)*

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The results in Table 6 showed that the F-Statistic for the model was (1,167 = 21.015) which was found to be greater than the F critical of 3.898. This indicates that the model was fit in predicting firm competitiveness of SMEs in Starehe Sub-County.. Similarly, the results shows the P value for the model to be 0.000 which is less than the significance level of 0.05. The results above indicate that the model was significant in predicting firm competitiveness of SMEs in Starehe Sub-County.

The outputs of the regression coefficients of organizational learning are presented in Table 7.

**Table 7.** Results of Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% CI for $\beta$	
	B	Std. Error	Beta			LB	UP
(Constant)	3.936	.765		3.145	.000	2.318	4.652
Organizational learning	.667	.215	.526	2.102	.004	1.281	2.241

a. Dependent Variable: Firm competitiveness

b. Predictors: (Constant), Organizational learning

Source: Field Data (2021)

The results displayed in Table 7 provided the beta values for establishing the statistical mode below.

Firm competitiveness = 3.936 + 0.667 Organizational learning

The results of regression coefficients show that holding organizational learning at a constant zero, firm competitiveness of SMEs in Starehe Sub-County would be at 4.017. Given that this beta coefficient has  $t=5.145$  and  $p=.000$ , it follows that value of the y-intercept is statistically significant lending credence to the fact that other factors other than organizational learning indeed also explain variation of firm competitiveness of SMEs in Starehe Sub-County in Nairobi City County.

The researcher also intended to determine the effect of organizational learning on firm competitiveness of SMEs in Starehe Sub-County in Kenya. The output of regression analysis revealed that organizational learning has  $\beta=0.667$ ;  $t=2.102$  and  $p=0.004$ . In this case, the value of t lies within the limits of confidence interval established for hypothesis testing implying that the beta coefficient for organizational learning has a statistically significant effect on firm competitiveness. The implication of these results is that at 95% level of confidence, organizational learning positively affects firm competitiveness of SMEs in Starehe Sub-County. It's therefore important to note that an increase of one unit in the set of activities used to measure organizational learning in this study is responsible for increasing firm competitiveness by 0.667. The researcher therefore concludes that organizational learning has a positive effect on firm competitiveness of SMEs in Starehe Sub-County in Kenya. In tandem with the study findings, Kanga'ta (2015) observed that learning organizations have the additional benefit of increasing operational performance in terms of contextual factors. Organizations committed to the learning discipline should look forward to increasing operational efficiencies, which translate into increased operational performance. Similarly, the discoveries of the investigation by Odoyo (2014) exhibited observational proof of a factually critical, positive connection between organizational learning and organizational execution.

### 6. CONCLUSION AND POLICY IMPLICATION

The researcher intended to find out the effect of organizational learning on firm competitiveness. Organizational learning was measured using indicators such as accessibility of knowledge, team learning strategy and knowledge sharing. Analysis of descriptive statistics encompassing sample mean, sample standard deviation and sample coefficient of variation revealed that there was significant level of practice of activities used to measure organizational learning in MEs in Starehe Sub-County. Analysis of inferential statistics involving simple linear regression analysis found out that organizational learning positively affects firm competitiveness of SMEs in Starehe Sub-County. Consequently, the conclusion of the study is that organizational learning has positively contribution to firm competitiveness of SMEs in Starehe Sub-County in Nairobi City County, Kenya. It's therefore imperative for SMEs to initiate frequent training and development programs to ensure their employees remain committed to the organization.

### 7. SUGGESTIONS FOR FURTHER RESEARCH

The study was delimited to organizational learning and firm competitiveness of SMEs in Nairobi City County. It is therefore necessary for future researcher to consider replicating this study in other

industries and sectors with a view to validating the inferences made in this study. It has also been noted that there is significant part of variation of firm competitiveness that could not be explained on the basis of organizational learning raising a case for the need to investigate other factors that may as well be responsible for firm competitiveness of SMEs. Finally, future research may need to consider investigating the influence of mediating variables on the relationship between organizational learning and firm competitiveness.

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## Firm Competitiveness in Small Medium Enterprises in Starehe Sub-County in Kenya: What Role Does Organizational Learning Play?

- Murerwa, B. M. & Kinyua, G. M. (2021). Analysis of the Role of Competitive Benchmarking on Service Delivery in Multinational Pharmaceutical Companies in Nairobi City County, Kenya. *International Journal of Managerial Studies and Research*, 9(7): 1-9.
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