DYNAMIC MANAGERIAL CAPABILITY ON PERFORMANCE OF LOGISTICS FIRMS IN NAIROBI COUNTY

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International Academic Journal of Human Resource and Business Administration

(IAJHRBA) | ISSN 2518-2374

Received: 2nd May 2024

Published: 6th May 2024

Full Length Research

Available Online at: https://iajournals.org/articles/iajhrba_v4_i4_73_81.pdf

Citation: Mwangi, B. W., Mang'ana R. (2024). Dynamic managerial capability on performance of logistics firms in Nairobi County. *International Academic Journal of Human Resource and Business Administration, 4*(4),73-81.

ABSTRACT

The goal of this research was to establish the influence of dynamic managerial capability on the performance of logistics firms in Nairobi County. The study adopted descriptive survey design and targets section managers and section heads of established logistics firms operating in Nairobi County; and stratified sampling method was adopted to select respondents comprising of section managers or heads from the targeted logistics firms. The study's sample size was determined using Taro Yamane's proportional sampling technique formula; whereby from 215 targeted respondents, 139 respondents were used for this study as the sample size. The research formulated semi-structured questionnaires as per the conceptualized study variables then used to collect primary data from respondents. Statistics for both descriptive and inferential use were obtained using SPSS version 23, which was used for both. For inferential statistics, measures of central tendency (means) and dispersion (standard deviation) were used. On the other hand, regression and correlation analysis were utilized for the purpose of determining the nature of the link between study variables as well as the degree to which that relationship exists. From 139 questionnaires that were dispatched for data collection, 113 questionnaires were returned completely filled, representing a response rate of 81.29% which is good for generalizability of the research findings to a wider population. Both descriptive and inferential statistics showed that dynamic managerial capability significantly influenced performance of logistics firms in Nairobi County. The study recommends that one, managers of logistics firms should timely sense and seize opportunities plus engage in continuous renewals that can help the logistics firm achieve superior performance. Further studies can be done on logistics firms but modelled on non-dynamic capabilities so as to compare empirical findings. A comparative study can be carried out in non-logistics firms so as to compare empirical findings.

Key words: dynamic managerial capability, performance, logistics firms

INTRODUCTION

Logistics is a backbone for the global supply chains and in most countries recognized as a strategic industry that positively contribute to gross domestic product (GDP) thus performance of logistics is foremost significant. That is, logistics play a key role in both micro and macro perspective. From a micro perspective, logistics service could fulfil the customer's expectations through excellent logistics service provision and from a macro perspective, it drives the economic development of a country. Logistics plays its role as early as in the beginning of 1900s, in distributing the farm products (Logistics Performance: Definition and Measurement, 2014).

Planning, executing, and regulating the smooth flow of goods, services, and related data from production to final consumption in response to demand is what logistics management is all about. Logistics management encompasses a wide range of tasks, including but not limited to inbound and outbound transportation management, fleet management, warehousing, materials handling, order fulfillment, logistics network design, inventory management, supply or demand planning, and management of third-party logistics service providers. Sourcing and procurement, production planning and scheduling, packing and assembly, and customer service are all subsets of the logistics function. Strategy, operations, and tactics are all a part of its purview (Matwiejczuk R. , 2016).

According to (Ahmad, Othman, Melan, & Zakaria, 2017), issues that contributed to evolution of logistics industry include high and heavy vehicle volume (heavy traffic has result in congestion), poor urban logistics (unsystematic loading and unloading in commercial areas), lack of inter-modal choice (lack of optimum connectivity and accessibility by road and rail terminals to industrial and commercial spatial locations), unhealthy competition (industry players work in isolation under competitive pressure with no sharing of logistic information and planning), poor logistics infrastructure, under usage of ICT in logistics, pollution-which translate directly into various costs for the environment, society.

In terms of logistics performance, researchers have always found it difficult to define logistics performance because organizations have multiple and frequently conflicting goals. In the context of most studies, efficiency is a measure of how economically the firm's resources are utilized). Several critical areas in effectiveness logistics performance are described as product guarantee, availability and fulfilment time. Some researchers have extended the definition of effectiveness by adding differentiation as the ability to create value for the customer through the uniqueness and distinctiveness of logistics services (Neely, 2015).

Some researchers as reviewed by (Batista, 2017) however insist on performance of logistic firms in terms of customer and employee satisfaction, social performance and environmental performance. For instance, efficiency and effectiveness are required to create value in logistics services as well as fulfilling the customer requirement through the delivery of logistics services. Therefore, this study adopts strategic because it addresses customers, employees, social and environmental concerns in the logistics industry. This is because according to the 3Ps (profit, people, planet) of firm value, profit making firms should not compenetrate on profit as their reason for existence, but also value people and the local environment.

To enhance logistics performance, dynamic capabilities have been suggested by some scholars. Dynamic capabilities include the sensing, seizing, and transforming needed to design and implement a business model. They can enable an enterprise to upgrade its ordinary capabilities and direct these, and the capabilities of partners, toward high-payoff endeavors. This requires

developing and coordinating, or "orchestrating," the firm's (and partner firms') resources to address and even shape changes in the marketplace, or the business environment more generally (Aminu & Mahmood, 2017).

More so, according to (Helfat & Martin, 2015), the strength of a firm's dynamic capabilities determines the speed and degree (and associated cost) of aligning the firm's resources including its business models with customer needs and aspirations. To achieve this, organizations must be able to continuously sense and seize opportunities, and to periodically transform aspects of the organization and culture so as to be able to proactively reposition to address yet newer threats and opportunities as they arise.

Dynamic capabilities are multi-faceted, and firms will not necessarily be strong across all types. A firm might excel at sensing new opportunities but be relatively weak at identifying new business models to exploit them. Or a firm might be good at developing new business models yet be mediocre at implementing and refining them (Teece, Peteraf, & Leih, 2016).

An organization with strong dynamic capabilities will be able to profitably build and renew resources, assets, and ordinary capabilities, reconfiguring them as needed to innovate and respond to (or bring about) changes in the market. The firm's resources must be orchestrated astutely and coordinated with the activities of partner firms to deliver value to customers; and underpinned in part by organizational routines and processes, the gradual evolution of which is punctuated by non-routine managerial interventions (Teece D. , 2016).

There are a number of issues that contributed to evolution of logistics industry which include but not limited to high and heavy vehicle volume (heavy traffic has result in congestion), poor urban logistics (unsystematic loading and unloading in commercial areas), lack of inter-modal choice (lack of optimum connectivity and accessibility by road and rail terminals to industrial and commercial spatial locations), unhealthy competition (industry players work in isolation under competitive pressure with no sharing of logistic information and planning), poor logistics infrastructure, under usage of ICT in logistics, pollution-which translate directly into various costs for the environment, society (Ahmad, Othman, Melan, & Zakaria, 2017).

Statistically, according to ICIPAK Annual Report, (2020), the average operating margin of logistics companies dropped from 23.9% in 2018 to 15.7% in 2019, while sales growth dropped from 3.3% in 2019 to 2.7% in 2020. In this regard empirical researches on the performance of the logistic firms has attracted a number of researches with mixed results. Some researchers have always found it difficult to define logistics performance because organizations have multiple and frequently conflicting goals; some insist on differentiation as the ability to create value for the customer through the uniqueness and distinctiveness of logistics services (Neely, 2015); while very few researches (Batista, 2017) insist on performance of logistic firms in terms of customer

and employee satisfaction, social performance and environmental performance; a gap that this study endeavors to address. This is because according to the 3Ps model (profit, people, planet) of moral value of a firm (doing well by doing good), profit making firms should not only concentrate on profit as their reason for existence, but also value people and the local environment.

Further, in using dynamic capabilities as a predictor of logistics firms' performance, there exist inconclusive empirical findings, and questions still abound on whether the link between dynamic capabilities and logistics firm performance is direct or indirect thus a need for further research (Schilke, 2017). For instance, (Lin C.-Y. , 2019), (Shan & Marlow, 2017), (Michael, Sobhan, Lincoln, & Bill, 2019), (Frank, Dalenogare, & Ayala, 2019) did not link innovation capability on firm performance; a gap that this study intends to fill.

More so, while (Wang, 2018)found a negative relationship between logistics innovation capability and customer related risks, (Muhammad, A, & Salman, 2020) study found that logistics innovativeness and service differentiation are related and are positively correlated with logistic firms' performance; thus showing statistical gaps.

Therefore, lack of adequate empirical studies on performance of logistics firms and inconclusive empirical findings on the influence dynamic managerial capabilities on firm performance motivates this to empirically examine influence of dynamic capabilities on performance of logistics firms operating in Nairobi County.

RESEARCH METHODOLOGY

This study adopted descriptive survey design. The target population for this study was those logistics firms that contained the desired information and, in this case, consists of section heads of 43 established logistics firms (both foreign and locally owned) with headquarters in Nairobi County. This study's sampling frame included section manager and or head officers in charge of operations, customer service, risk management, warehousing, ICT, finance sections of 43 logistics firms operating in Nairobi County. Section managers or heads were the targeted respondents as dynamic capabilities are largely influenced by senior management and they would appreciate its influence on performance more than employees in lower levels. This study adopted stratified sampling technique. The researcher stratified the respondents into several strata based on management cadre- departmental/section heads to ensure that respondents from each stratum have an equal chance to participate in the study. Therefore, since the study targeted 215 respondents (at least 5 managers from each of the 43 logistics companies). The sample size was 139 respondents. Data was collected using semi- structured questionnaires (open and close ended questions). Pilot testing was done to assess accuracy of words and statements on the research questionnaire, that is, using content and construct validity. Both descriptive and inferential statistics was computed using SPSS version 23.

Results

One hundred and thirty nine (139) questionnaires that were dispatched for data collection, 113 questionnaires were returned completely filled, representing a response rate of 81.29% which is good for generalizability of the research findings to a wider population.

Descriptive Statistics

Table 1 summarizes responses measured by Likert scale showing measures of central tendency (mean) and dispersion (standard deviations, variance) plus how the data set has skewness (asymmetric) and kurtosis (peakedness). the mean response of perception of dynamic managerial capability was 3.46 (rounded off to 4 = 'agree' on the likert scale of measurement) with a standard deviation of 1.02499 and variance of 1.051 indicating that on average most respondents, generally perceived dynamic managerial capability as having a possible influence on the performance of logistics firms in Nairobi County. That is to say, managers who do their jobs well and are constantly renewing themselves and their organizations are able to considerably improve the performance of the logistics business under their purview. This is supported by Bellner (2018) who while analyzing learning-based dynamic managerial capabilities alongside innovation based dynamic managerial capabilities realized that both should be highly valued by managers especially in a highly dynamic environment as their absence in timely adoption can have detriment effect on the performance of an organization.

Table 1 Descriptive Statistics

Variable	N	Range	Min	Max	Mean	Std. Deviation	Variance	Skewness	Kurtosis
Dynamic Managerial capability	113	4	1.00	5.00	3.4617	1.02499	1.051	-.521	-.494
Performance of Logistics firms	113	4	1.00	5.00	3.6953	1.07837	1.163	-.747	-.308

Inferential Statistics

Correlation analysis was computed by SPSS to determine direct relationship between each of the independent variable (dynamic managerial capability) and the dependent variable (performance of logistics firms in Nairobi County). Pearson's product moment correlation coefficient was

computed. Dynamic managerial capability (r=0.666) had significant correlation with the dependent variable (performance of logistics firms in Nairobi County).

Multiple regression analysis was computed. The other variables in the model were dynamic managerial capability, alliance management capability, quality management capability, and innovation capability. R square of 0.807 was found meaning 80.7% of the variations in the performance of logistics firms in Nairobi County is attributed to the factors in the model, while other factors not in this study model accounts for 19.3%, thus, it is a good study model. All the factors in the model were significant predictors ($p<0.05$) of performance of logistics firms in Nairobi County (dependent variable). Dynamic managerial capability had; $\beta = 0. .175$ (0.074) at $p<0.05$.

Discussion of Findings

The objective of the study was to determine influence dynamic managerial capability on performance of logistics firms in Nairobi County. From descriptive statistics, the mean of responses on dynamic managerial capability is 3.46 (rounded off to 4 = 'agree' on the likert scale of measurement), implying that managers who timely identifies opportunities outside organization, captures identified opportunities and is engaged in continuous renewal can significantly uplift performance of the logistics firm within their mandate.

Multiple linear regression results shows that dynamic managerial capability ($\beta = 0. 175$ (0.068) at $p<0.05$) significantly influences performance of logistics firms in Nairobi County; Therefore, a 1% increase in the efficiency with which logistics companies in Nairobi County use their dynamic management capabilities would lead to a 17% improvement in their performance. Consequently, the logistics company's performance will be much improved by managers who are able to quickly detect and grab chances outside the organization and who also engage in continual renewals.
Therefore, both descriptive and multiple linear results shows that dynamic managerial capability significantly influences performance of logistics firms in Nairobi County. The results are supported by Lo (2018) who while studying on managerial capabilities, organizational culture and organizational performance using the resource-based perspective in Chinese lodging industries, found that managerial capabilities have significant impacts on customer satisfaction.

However, Schilke, (2017) while studying on the contingent value of dynamic managerial capabilities in firms in the chemicals, machinery and motor vehicle industries in Germany, found that dynamic capabilities significantly influenced the firm's competitive advantage.

According to the findings of a multiple linear regression analysis, even a single improvement in the efficient application of dynamic management talents may result in a sizeable rise in the performance of a logistics company located in Nairobi County. This suggests that the managers of

logistics companies that are able to quickly recognize and grab possibilities outside the organization and who participate in continual renewals would be able to assist their companies in achieving greater or superior levels of performance.

Conclusions

The study concludes that managers of logistics firms that swiftly senses and seizes opportunities outside the organization, and engages in continuous renewals can help the logistics firm attain higher or superior performance

Recommendations of the Study

Managers of logistics firms should timely sense and seize opportunities plus engage in continuous renewals that can help the logistics firm achieve superior performance

Suggested Areas for Further Research

First, another study can be done on logistics firms but modelled on non-dynamic capabilities so as to compare empirical findings.
Secondly, a comparative study can be carried out in non-logistics firms so as to compare empirical findings.

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