

THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

The Mediating Effect of Organizational Capabilities and High-Performance Work System on the Relationship between Transformational Leadership Style and Competitive Advantage of Selected Manufacturing Firms in Kenya

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Abstract:

The aim of this research was to examine the mediation effect of Organizational Capabilities and High-Performance Work System on the relationship between Transformational Leadership and Kenya's selected manufacturing firms' competitive advantage. Data from 400 senior management staff of sampled firms with an employment level of between fifty-one (51) and five hundred persons (500) were collected using a descriptive research design. By adding together all of the codes from all 400 respondents, the mean responses on a Likert scale ranging from 1 to 5 for each of the tested items were determined.

The researcher equated the firms' competitive advantage with a reality phenomenon that prevails in Kenya, particularly in the manufacturing sector. Hence, in the spirit of accuracy, the researcher examined its prevalence and predictors by reviewing relevant empirical literature that concerned theories. It is from this that a conceptual framework was constructed with a set of variables: Transformational Leadership (TL) as an independent Variable (IV), Organizational Capabilities (OCs) as the first mediator (M1), High-Performance Work System (HPWS) as the second mediator (M2) and Competitive Advantage (CA) as the dependent Variable (DV).

According to the study's findings, manufacturing companies face difficulties in gaining a competitive advantage. As a result, managers should develop a high-performance work system that can influence the firms' organizational capabilities and help them attain a competitive advantage.

The study's findings add to the body of knowledge regarding Human Resource Practices, specifically HPWS and extend the literature on the relationship between Transformational Leadership, Organizational Capabilities, and Competitive Advantage. Ultimately, the study established that Organizational Capabilities mediated the relationship between Transformational Leadership and Competitive Advantage for manufacturing firms in Kenya. Additionally, the findings clarified the alignment of Organizational Capabilities and HPWS with CA for manufacturing firms in Kenya.

Keywords: Organizational capabilities, high performance work-system

1. Background to the Study

The Concept of organizational Capabilities emanates from the resource-based view of the firm developed by J. Barney (1991); organizational capabilities are the abilities of the organization to use its physical or material resources to perform a task or an activity. Therefore, firms create a competitive advantage by combining the resources that work together to create organizational capabilities (Ulrickja Lake, 1991). Most importantly, the result of these combined resources, through a company's strategic use of business advantages in products, processes, ideas, and/or technology to innovate and maintain market excellence and uniqueness, is what is viewed as the firm's competitive advantage as also stated by Campbell-Hunt (2000). Thus, a company's ability to outperform its competitors (Russell & Millar, 2014).

Extant literature has identified organizational capabilities as one of the major sources of competitive advantage. This is also indicated by J. Barney, Wright and Ketchen Jr (1991). This study, therefore, finds it pivotal to state that for any organization to attain a desired result, it must have the capacity to deploy its resources (capabilities).

Managers must regularly make decisions about how to use and apply their limited tangible and intangible resources to build organizational capabilities and improve the firms' competitive advantage. This study's results are the firm's competitive advantage; therefore, failure to understand affects how the built-in capabilities improve the firms' competitive advantage.

Nonetheless, literature denotes that building better products or services, pricing goods or services lower than competitors, or incorporating technological innovation into research and manufacturing operations must be supplemented by organizational capability in the current unstable business environment—these are the firm's ability to manage people to gain a competitive advantage (Ulrich & Lake, 1991).

People are among the most important resources available to firms in an inquest into the firm's leadership, organizational capabilities and competitive advantage. However, a high-performance work system (HPWS) can facilitate employees' ability and skills (staffing and training and development), motivation and incentive (compensation and

performance appraisal), and opportunity to perform (participation and communication; (E Appelbaum, Bailey, & Berg). Therefore, the organization's top-level management is crucial in cascading the HPWS in the organization to achieve any set objective of the organization (P. Wright & Nishii, 2006).

It is unclear how much empirical attention different ways of combining practices have received over time. Evidently, no empirical literature existed while reviewing the literature on the mediation effect of Organizational capabilities and High-Performance Work Systems on the relationship between Transformational leadership and the competitive advantage of manufacturing firms. As such, it formed the basis for this study.

2. Statement of the Problem

Manufacturing Firms in Kenya have been the main channel for the country's integration into regional and world markets like the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC) (Achieng, Awino, & Kitiabi, 2020; Nzisa, 2019; Rioba, 2015). They have been identified for economic growth and development because of the immense potential for wealth, employment creation, and poverty alleviation (Kagechu, 2013). Previous studies' findings indicate that some of these firms are struggling to attain a competitive cutting edge against competitors (Bell Jr, 2015; Kiprotich, Gachunga & Bonuke, 2018; NUTHU, 2015) and hence changed operations, while others have since shut down and a few witnessed exiting Kenya. A rapidly changing market environment and unsupportive legal and regulatory frameworks may probably be among the factors that firms should address (Teece, Peteraf & Leih, 2016).

However, firms' Leadership (CEOs/top-level managers) may not be an exception since they are the key primary agents that formulate and implement organizations' policies and business frameworks. More so, firms' top leadership is fundamental and action focal points. However, it communicates a strong vision for firms (Leah, Michael & Joyce, 2021).

Previous studies done across the globe have given little focus, with a few that have been done paying much attention to firm performance. In the Kenyan context, a few that have been carried out bypassed linking HPWS and OCs as mediator variables between Transformational Leadership and Competitive Advantage (Chukwuemeka & Onuoha, 2018; Leah et al, 2021; Rono, Korir & Komen, 2020) and their findings leaned on how to maximize dynamic capabilities (Leah et al, 2021).

However, firms cannot gain a competitive advantage in a dynamic environment based on firms' capabilities alone but are dependent on other environmental factors (Fainshmidt, Wenger, Pezeshkan, & Mallon, 2019)). A High-Performance Work System (HPWS) as a practice of Human Resource Management (HRM) is key to building firms' Organizational Capabilities to achieve competitive advantage (Markova, 2012). In this regard, this study established a link between transformational leadership, high-performance work systems, organizational capabilities and a competitive advantage of manufacturing firms in Kenya.

3. Literature Review

3.1. The Concept of High-Performance Work System

A high-performance work system (HPWS) is an HRM System approach that comprises a set of related HR practices that can facilitate employees' ability and skill (staffing and training and development), motivation and incentive (compensation and performance appraisal), and opportunity to perform (participation and communication) (Eileen Appelbaum, 2000), which are essential to executing the firm's competitive advantage.

The organization's top-level management is crucial in cascading the HPWS in the organization to achieve any set objective of the organization (P. Wright & Nishii, 2006). Since line managers are key implementers of the HRMS, this calls for an inquest into the top leadership of the organization vis-a-vis the trait that affects the organization's objectives. High-performance work system is a perception through which organizations are persistent to achieve its objectives and mission via its human resources. Organizations practice a unique managerial approach that permits high performance through people.

Largely, high-performance work systems can be viewed as a vital strategic method for developing and sustaining core competencies and as an important device for strategic implementation. Despite the positive evidence of high-performance work systems on employees' development, researchers pointed out that the execution of these kinds of practices is rare and partial (Posthuma, Campion, Masimova & Campion, 2013). Consequently, it is critical how organizations use high-performance work systems as a competitive instrument within and across industries (Boxall, 1996). In this respect, this study found it pivotal to link this concept to competitive advantage.

3.2. The Concept of Competitive Advantage

Competitive advantage is a cornerstone concept in the field of strategic management (Baaij, Greeven, & Van Dalen, 2004; Rumelt, 2003) and also enunciated this study because it is a concept that is widely accepted in strategic management courses and textbooks (J. B. Barney & Clark, 2007). Nonetheless, competitive advantage is regarded as what leads a firm to position itself in a market segment, withstand rivalry forces and new market entrants, and outperform competitors. (Agustiana & Budiastuti, 2020).

The introduction of the concept of competitive advantage was Porter's book on competitive advantage. It stems from the firm's ability to create superior value for its buyers. Porter adds that superior value stems from offering lower prices than competitors for equivalent unique benefits.

According to Barney (1991) and Porter (1985), enterprises should reorganize their resources and capabilities to make sure they contribute to superior competitive advantage, as this is what gives them the potential to gain a competitive edge. Competitive advantage is the position of dominance that a company has established over its rivals within an industry.

Competitive advantage is the ability of an organization to carry out its operations in a way that sets it apart from its rivals and makes it impossible for rivals to imitate the competitive strategies that the business uses. The competitiveness of a corporation is determined by its capacity to create, produce, and sell goods that are better than those of its rivals.

A company's customer focus, brand equity, product quality, and research and development focus are just a few examples of the many attributes that make up its competitive edge. For a competitive advantage to be viable and long-lasting, it must be hard to replicate, adaptable to different circumstances, distinct, long-lasting, and better than the competitors. (Porter & Heppelmann, 2014). Low cost or differentiation and the ability to outperform competitors are the two main forms of competitive advantage that a company might have.

However, since the majority of market share leaders compete on the basis of distinction rather than low cost, differentiation is more profitable than cost leadership methods. In its business, a company that can maintain total cost leadership will do better than average and hold commanding pricing (Porter & Kramer, 2006).

A differentiation strategy involves a company trying to stand out in its market along certain dimensions that consumers find important. In exchange for the product's uniqueness, the customer pays a premium price.

Thus, the concept is to choose one or more qualities that are numerous. Additional investigation reveals that a business going through a growth phase includes various signs, such as customers believing in their products. This is dependent on their stellar reputation. Businesses that are focused on upholding their reputation and consistently update, renew, and innovate their products in order to sustain their product reputation are considered high-quality brands. It offers them a competitive edge (Porter & Kramer, 2006).

3.3. The Concept of Transformational Leadership

Transformational leaders are the leaders who work and motivate their subordinates to identify the business vision. They create an atmosphere of trust and motivate employees to work for the organization beyond their self-interests (Khorshid & Pashazadeh, 2014; Korejan & Shahbazi, 2016). Transformational leadership entails leaders who seek to create ideas and new perspectives and create a new path of growth and prosperity in front of the organization. This is by developing commitment, passion, and loyalty among managers and staff, mobilizing the organization's members to make fundamental changes in the fundamentals and basis of the organization to be prepared and to gain the necessary capabilities for moving in new directions (Korejan & Shahbazi, 2016) in a competitive environment. It is agreeable that when transformational leadership components complement other leadership actions, it can become a source of competitive advantage for organizations (Rahmati, Eskandari, Sadr & Nouri, 2014).

However, transformational leadership effectively transforms or changes followers to escalate beyond their self-interest by changing their ethics, interests, and scruples. They are, therefore, leaders who can motivate others to do more than they originally intended to do and do it quite often, even more than they thought possible.

A factor analytic study by Bass, Avolio, Jung and Berson (2003) suggested that transformational leadership can be conceptually organized along four correlated dimensions: charisma-idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Through inspirational motivation, the leader creates a clear picture of the future state that is both optimistic and attainable, encourages others to raise their expectations, reduces the complexity of key issues, and uses simple language to convey the mission. Through intellectual stimulation, leaders stimulate their followers' efforts to be innovative and creative by questioning assumptions, reframing problems, and approaching old situations in new ways. Through individualized consideration, leaders pay special attention to each individual's needs for achievement and growth by acting as a coach or mentor (Avolio & Bass, 1995). Similarly, recent studies have elucidated the four main Dimensions of Transformational Leadership from the Perspective of (Bass et al., 2003). This study expansively extends the existing literature with an in-depth insight into the four dimensions.

3.4. The Concept of Organizational Capabilities

There is ambiguity surrounding the definition of organization capabilities. While some authors define them as core competencies, collective skills, complicated procedures, or best practices, others simply call them organization capabilities. It is widely accepted that capabilities are not a single resource but rather complex processes and organizational capabilities socially and collectively rooted in the natural world and have a shared approach to problem-solving. Departments or different levels of organizational activities can be used to build organizational capabilities. Organizational capabilities can also be established in diverse domains. Strategic management plays a crucial role in effectively adapting, integrating, and reconfiguring both internal and external organizational skills, resources, and functional competencies to align with the changing environment (D. J. Teece, Pisano & Shuen, 1997). These capabilities are defined based on performance outcomes and involve identifying the actions that contribute to their development (Helfat et al., 2009). However, it is the way these resources are utilized that ultimately determines the competitive advantage of organizations.

4. Empirical Literature Review

4.1. Transformational Leadership and Competitive Advantage

Transformational Leadership and competitive advantage are keywords that have become popular in manufacturing, particularly in private-sector organizations. These two concepts are less well documented. This is specifically from the perspective of the direct effect on competitive advantage in literature. Transformational leadership acknowledges the importance of organizations and individuals evolving and constantly improving. As such, Transformational leaders combine synergistic duties owed to individuals and their organizations and motivate followers to pursue their development while working for the goals of their organization (Reza, 2019; White, Pearson, Bledsoe &

Hendricks, 2017). Therefore, transformational leadership incorporates commitments to the organization, the community, and individuals and its leaders pursue organizational excellence while honoring duties to employees to keep them informed, provide them with the resources to achieve individual goals, and seek their highest potential.

The argument of this study is based on the foundation principle of the transformational leadership model that the integrated focus of transformational leadership is on the mutual interests of the organization, its employees, and society (Caldwell et al., 2012). Pursuing the best interests of the organization and its stakeholders requires a stewardship focus on long-term value creation and leading in a manner that benefits employees and maximizes the development of shared commitment and trust (Dos Santos, 2009), hence achieving Competitive Advantage.

Previous scholars (Bass, 1997; Bass et al., 2003; Dvir, Eden, Avolio, & Shamir, 2002) acknowledged that Transformational leadership emphasizes higher motive development and spirits up their followers' motivation and positive emotions and feelings by creating an inspiring vision of the future (Dvir et al., 2002).

Bass et al. (2003) argue that transformational leaders are pertinent, especially during turbulent times. He further argues that the goal of transformational leadership is to 'transform' people and organizations in a literal sense. to change them in mind and heart; enlarge vision, insight, and understanding; clarify purposes; make behavior congruent with beliefs and principles, or values; and bring about changes that are permanent, self-perpetuating and momentum building hence leaders in this category display concern for their workers' needs, and are equipped to boost and coach the development of desired workplace behavior.

Based on the differing arguments, the study of Transformational Leadership has been widened in the field of strategic management, as also mentioned by Dinh et al. (2014) and Marques (2015), stretching emphasis on its scope on three dimensions: intellectual stimulation, individualized consideration, idealized influence and inspirational motivation as depicted by this study.

However, the current study analyzed the mediation effect of organizational Capabilities on the relationship between Transformational Leadership (independent variable) and Competitive Advantage (dependent variable), and the relationship was significantly positive, hence bringing newness to this extant body of literature.

4.2. High-performance Work System and Organization Capabilities

Over the last few decades, many researchers have done the growing research on human resource management in organizations. Among the few that have been done, results show that Human resource management research focusing on high-performance work systems has a positive impact on firms (Combs, Liu, Hall, & Ketchen, 2006).

Previous scholars state that Human resource management systems that enhance competencies, commitment, and employee productivity are called High-Performance Work Systems (HPWS) (P. M. Wright & Nishii, 2007). High-Performance Work Systems (HPWS) are defined as a specific combination of human resource practices, work structures, and processes that maximizes employee knowledge, skills, commitment, and flexibility (Bohlander, Snell, & Sherman, 2007). The term HPWS itself has been difficult to get an agreed definition because of the significant difference between the theoretical, empirical, and practical approaches used by researchers, for instance: High-Performance Work Practice (HPWP), High Commitment Management (HCM), High Involvement Management (HIM), (Boxall, Ang, & Bartram, 2011).

However, HCM and HIM are not equivalent to HPWS (Boxall et al., 2011). HPWS is derived from a bundle of human resource management systems that include human resource policies, practices, and processes and can be linked to employee and organizational outcomes (Cafferkey & Dundon, 2015). The significant aspect of the HPWS definition is a bundle of systems and not an individual characteristic of the human resources, (Kelly, 2016).

The key point of view for the firm success in the market nowadays is dominantly derived from the human resource of the firm, as human resources are one of the most important resources to generate competitive advantage of the firms (J. B. Barney & Wright, 1998; Zhang & Morris, 2014).

The concept of HPWS can be approached from the perspective of the Resource-Based View (RBV) of the organization, which implies that a resource can be qualified as a source of competitive advantage as long as the resource is rare, hard to be imitated, and adds value to the organization as alluded by Boxall (1996). According to this concept, Lado and Wilson (1994) mentioned that competitive advantage can be achieved as long as a human resource system can develop specific competencies and capabilities of the organizations. Besides, it can also provide the organization with both increased fit and flexibility (Macky & Johnson, 2003). HPWS indicates a system or a bundle of human resource practices designed to increase skills, commitment, and involvement so that employees can be of resource for a firm's competitive advantage.

Given that the function of Organizational Capability is to build, integrate, and reconfigure assets, their effect directly impacts resources, practices, and employees (Feng et al., 2019; Jiang, Lepak, Hu, & Baer, 2012).

5. Research Methodology

The Manufacturing Firms in Nairobi County, with employment levels ranging from 51 to 500, served as the study's unit of analysis. The firms were drawn from a variety of the manufacturing and value-added sectors. The employment level of between 51 and 500 was determined. Nairobi City County was selected due to its dual status as the regional centre of commerce and home to more than 80% of manufacturing and value-added businesses (KAM, 2019). Industrialization, which includes manufacturing, has been hailed as the "engine for growth" for newly emerging economies in the world, which is why the Kenyan government recognizes this as a core goal for the attainment of Vision 2030.

The manufacturing sector was chosen because its output is often traded in local, regional, and international markets than service output. Manufacturing firms are also more likely to be in direct competition with foreign firms that are attempting to develop substitute technology using similar processes and targeting the same customers. Furthermore, the

industrial sector in Kenya comprises manufacturing, quarrying, mining, and construction activities, of which manufacturing activities account for the greatest share.

The Senior Managers of the manufacturing firms were chosen due to their ability to address inquiries regarding the overall competitiveness of their businesses. This study therefore, investigated Manufacturing firms (unit of analysis) whereas, the senior managers who were not only working in the companies but those that the companies regarded as well informed in responding to the research instrument formed the research study's unit of observation (respondents) as also stated by (E. Babbie, 2010). This study is based on the assumption that since the companies presented the senior managers as well educated, well experienced and serving the companies for some period. These managers were, therefore, more conversant with the study's variables than other companies' staff and firm stakeholders, who could have been chosen by the study to participate in answering the research questions.

The primary method of this research aimed at quantitative data collection. The researcher and, through the aid of the research assistants, paid direct visitation to the targeted respondents. The data collection was aided by the research questionnaires as the study's research data collection instrument. The researcher structured the questionnaire items, as guided by E. R. Babbie & Benaquisto (2009), Coltman (2007), Nyachanchu, Chepkwony & Bonuke (2017), Saunders, Lewis & Thornhill (2007). Further, the questionnaire was divided into five sections: A, B, C, D and E. Section A examined the demographic profile of the companies, section B examined the construct of Transformational leadership (TL), section C examined the mediator of Organizational Capabilities, section D examined the second mediator of High-Performance Work System (HPWS). The last section, which is section E, examined the construct of the competitive advantage.

Further, the study constructs were measured on a continuous scale with closed-ended questions. The scale was rated on a five (5) point Likert scale numbered in the following manner: 1 - Strongly Disagree (SD), 2 - Disagree (D), 3 - Neither Agree nor Disagree (N), 4 - Agree (A), and lastly 5 - Strongly Agree (SA). The study did not re-invent the wheel but followed previous studies that it reviewed, which used the same. Among the existing studies included (Leah et al., 2021), which this current study found useful in guiding the research constructs' measurements.

A Sample Frame was established using the list provided by KAM and the licensing department of the Nairobi City county government to guarantee that only legal enterprises were included in the sample. Since not all manufacturing firms in Nairobi were KAM members, the list was supplemented with the most recent data from the Kenya National Bureau of Statistics (KNBS). This resulted in the identification of 400 enterprises across various economic activities in the manufacturing sector, which were situated within the geographical scope of the study. However, only 365 fell within the required parameters of the study. Gay study's idea to sample the respondents for the study, adopted Yamane's formula to calculate the sampled respondents as guided by Babbie (2010). As indicated below:

Yamane's formula

$$n = N / (1 + N(e)^2)$$

Where:

n = sample size,

N = population of study,

e = margin of error,

1 = Constant,

$$n = 735 / (1 + 735(0.05)^2);$$

$$735 / (736 \times 0.025);$$

$$735 / 1.84 = 399.45 \approx 399.5$$

Sample size (n) = 400.

Thus, 400 firms

Further, the firms were selected using simple random sampling, which enhanced the representativeness of the sample, as firms in the respective subsectors had an equal chance of being selected for the study (Kombo & Tromp, 2006). The data collected was analyzed using descriptive statistics.

6. Model and Conceptual Framework

The study examined the mediation effect of Organizational Capabilities (OCs) and High-Performance Work Systems (HPWS) on the relationship between Transformational Leadership and Competitive Advantage. Before testing a mediation model, a Hierarchical regression model was used to determine how much any additional variable in the model contributes to the variance in the dependent variable, competitive advantage.

The model linked the dependent variable (Y)—(Competitive Advantage)—to the independent variable (Xi)—Transformational Leadership and the two mediators (OCs & HPWS). The outcome revealed a linear relationship between the dependent and independent variables. This proved that the regression assumption was met, as explained in M. Kisubi, Korir & Bonuke (2021), M. K. Kisubi, Bonuke & Korir (2021), and Leah et al. (2021).

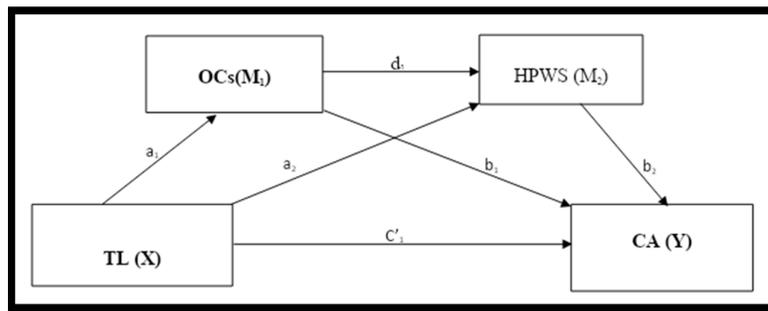


Figure 1: Statistical Diagram of the Mediation Effect Model
Source: Hayes (2018) Model 6

Where:

TL= Transformational Leadership

CA= Competitive Advantage

HWPS= High-Performance Work Systems

OCs= Organizational Capabilities

Direct effect of X on Y = C'

Indirect effect of X on Y through M₁ = a₁b₁

Indirect effect of X on Y through M₂ = a₂b₂

Indirect effect of X on Y through M₁ and M₂ = a₁d₁b₂

a₁, a₂, β₁, β₂, C' are the parameters associated with the corresponding dependent variable that were estimated

β₀ is the intercept

ε is the error term.

6.1. Discussion of the Mediation Effect Model

TL (X) must significantly affect the first mediator; OCs (M1). This is represented by path a₁ of figure 1. The study used the equation, $M = a_0 + C + a_1X + \epsilon$ (H₀)

- OCs (M1) significantly affect Competitive Advantage (Y). The equation for testing this condition was $Y = b_0 + C + b_1M1 + \epsilon$
- This involved determining the influence TL (X) on the outcome variable Competitive Advantage (Y) in the presence of OCs (M1) and HPWS (M2). The equation took the form of; $Y = C'_0 + C + b_1M1 + b_2M2 + C'X + \epsilon$
- To test for the 1st Mediation, hypothesis H₀₅ got the product of equations i and ii by multiplying the coefficients of path = a₁ × b₁.
- To determine if mediation has taken place, both confidence intervals (Upper limit and Lower limit) had none zeros.
- Figure 1: Also shows a direct effect of OCs (M1) on HPWs (M2) as controls are held constant, path d₁ (H₀₆). The following equation was usedM₂ = d₀ + C + d₁M₁ + ε.
- Hypothesis H₀₇, effect of TL (X) on HPWs (M2) path a₂ of figure 1: were tested using equation; $M_2 = a_0 + C + a_2X + \epsilon$
- Testing the mediating effect of HPWs(M2) on the link between TL (X) and Competitive Advantage (Y) hypothesis H₀, the product of coefficients of a₂ × b₂ of figure 1: was used.

To confirm that mediation has taken place, both the lower limit and upper limit confidence intervals had no zeros.

7. Discussion of Results/Findings

The results showed that TL, OCs and HPWs significantly influenced CA. Additionally, TL has a significant effect on HPWs, and TL significantly affects OCs. The results further showed that OCs mediated the relationship between TL and CA (β=.138, Boot LLCL = .071 and Boot ULCL = .216). Similarly, HPWS mediated the relationship between TL and CA (β=.060, Boot LLCL = .024 and Boot ULCL = .107). Lastly, HPWS mediated the indirect relationship between TL and CA via OCs (β=.049, Boot LLCL = .015 and Boot ULCL = .068).

8. Recommendations

From this study's findings, firms should be able to renew their competencies so that they can respond to changes in business conditions and meet the needs of the changing environment. It is therefore, a primary function of the leadership, in which case, the top companies' managers to; build unique competencies over a period of time and make them non-imitable in such a way that competitors cannot access its patents, cannot match the caliber of its employees, and cannot even comprehend how the firm operates around its capabilities. To stay competitive. Organizational capability gives a company an edge in the market, but through new products and human resource capabilities, it enhances the high-performance work system of skilled employees.

9. Conclusion

In conclusion, companies need to respond to rapidly shifting market conditions by constantly creating and continuously developing capabilities from existing resources by enhancing High-Performance Work System, which has a unique culture that emphasizes innovation, constant organizational improvement, continuous employee training, performance management and functional flexibility.

Finally, the study established that High-Performance Work System mediated the relationship between Transformational Leadership and Competitive Advantage. The findings clarify the alignment of Organizational Capabilities and High-Performance Work Systems with Competitive Advantage for manufacturing firms in Kenya.

10. Further Research

The aim of this study was to empirically confirm the link between the study constructs and their effect on the companies' Competitive Advantage in a developing economy context. However, the findings of the study are specific to the Kenyan context and are not generalizable to other developing countries in the African context. Furthermore, the study's determinants of the construct of competitiveness advantage may not be broadly reproducible in developing countries. Therefore, the applicability of this study to companies in developing countries, directly or indirectly, may require more research.

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