



Influence of Operations Strategies on Competitive Advantage of Automotive Companies in Kenya

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Article History

Received: 28.12.2025

Revised: 20.05.2026

Accepted: 21.05.2026

Published: 22.05.2026

Keywords

Automotive companies

Kenya

Management

Operations strategy

How to cite:

Muchiri, M. I. (2026). Influence of Operations Strategies on Competitive Advantage of Automotive Companies in Kenya. *Research Journal of Business and Finance*, 5(1), 130-139.

Abstract

Operations strategy addresses what needs to be done to overcome current and future challenges posed by the competitive environment. The importance of the operations function is growing as it gives the ability to compete by providing the capacity to respond to customers and by developing the capabilities that will keep the organisation ahead of its competitors. This study sought to establish the influence of operations strategies on the competitive advantage of automotive companies in Kenya. The study used an explanatory research design. The target population was 400 members of the top management team, including CEOs, functional managers, and senior managers drawn from 63 companies in the automotive industry in Kenya. The study utilised a census to include all the 400 members of the top management team in the 63 automotive companies. The study findings indicated that there is a moderate correlation between the operations strategies and the competitive advantage of automotive companies in Kenya ($r = 0.517$). The findings further showed that 26.7% of the variability in the competitive advantage of automotive companies is explained by operations strategies (R Square = 0.267). It was also revealed that a change of one unit in operation strategies would lead to a change of 0.517 in competitive advantage ($\beta = 0.517$, $t = 11.253$, $p < 0.05$). The study reveals that operations strategy has a significant influence on competitive advantage of automotive companies. In order to achieve competitive advantage automotive companies should consistently participate in the creation, dissemination, and interpretation of information to develop novel products.

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Introduction

To establish a competitive advantage, a strategy must include plans and policies that enable the company to outperform its competitors (Scur & Heinz, 2016). Organisations leverage various strategies to improve operational efficiency and gain and sustain a competitive advantage. An operations strategy is the combination of several organisational decisions and actions that have a long-term impact (Scur & Heinz, 2016). According to Filho et al. (2015), operations can play a decisive role in developing a favourable competitive position for companies, making research on the strategic role of the operations function highly relevant.

Veiga et al. (2022) observe that operations strategy addresses how to overcome current and future challenges posed by the competitive environment. It encompasses the long-term development of operations, resources, and processes to sustain competitive advantage. Operations strategies are quite



prevalent within manufacturing environments. According to Zatta (2021), among the concepts of strategy is operations strategy, which guides the pursuit of competitiveness and highlights the decisive role of manufacturing in adapting strategic resources and developing competencies to compete in competitive environments. The importance of the operations function is growing, not just because it is large, but because it gives the ability to compete by providing the capacity to respond to customers and by developing the capabilities that will keep it ahead of its competitors in the future to sustain competitive advantage (Veiga *et al*, 2022).

According to Scur and Heinz (2016), in strategic planning, operations strategy is a functional area that supports a company's competitive strategy. Operations strategies are leveraged by businesses to achieve overall business-level strategic objectives. Veiga *et al.* (2022) posit that there is a need to reconcile market requirements and operational resources to align manufacturing strategy and business-level competitive strategy. In the current study, the researcher explored various strategies, including product innovation, process innovation, technology adoption, and workforce optimisation, as operational strategies for achieving competitive advantage in Kenya's automotive industry.

Product innovation has been an area of study regarding firms' competitive advantage in the market. Jean *et al.* (2018) posit that product innovation refers to the rate at which new products are generated and existing ones improved. Organisations should continuously develop new and latest ideas to attain and retain a competitive advantage (Mwangi & Mwanzu, 2023). According to Kuncoro and Suriani (2018), developing new products amid competition is one way to win in the market through product innovation. Innovations, particularly product innovations, remain a primary driver of firm technological competitiveness through improvements in product quality, offering of new products, or opening up new markets or groups of customers, thereby increasing the firm's market share (Avenyo *et al.*, 2020).

Process innovation means performing an activity in a radically new way and implies the use of specific change tools and the transformation of business processes (Ayhan *et al.*, 2013). According to Nguyen *et al.* (2020), process innovation rests on adopting new processes and advanced technologies in production to improve the speed, quality, efficiency, and reliability of operations. Shahid *et al.* (2020) argue that process innovation helps businesses in developing new products and services that are essential to their high income and performance. The authors also posit that the company's target of high profits can be achieved in particular through process innovation. Process innovation allows a company to become a leader in a specific sector in an unpredictable world and to capitalise on business gains more easily (Shahid *et al.*, 2020). Technology adoption has become a driving force in a firm's quest for competitive advantage. Companies worldwide are leveraging emerging information technologies to drive business performance and gain a competitive advantage. Information technology-enabled strategies can lead to a sustainable competitive advantage (Bilgihan & Wang, 2016).

Leveraging workforce optimisation enables companies to maximise their workforce output. Johnson (2008) defines workshop optimisation as managing the elements that contribute to or inhibit greater job performance, either individually or collectively. Managing the utilisation and output of each individual in a workplace can have a direct impact on the organisational performance. One way to develop and leverage an optimised workforce is to build and maintain a multiskilled team. Multiskilling is a workforce strategy that has been shown to reduce indirect labour costs, improve productivity, and reduce turnover. A multi-skilled workforce is one in which workers possess a range of skills that enable them to participate in more than one work process, thereby maximising their output (Gomar *et al.*, 2002). Research results indicate that multiskilling can increase productivity,



quality, and continuity of work while providing a safer site and providing managers with more flexibility in assigning tasks (Gomar et al., 2002).

Kuncoro and Suriani (2018) examine the relationship between product innovation and sustainable competitive advantage in Rabbit meat production. The study focused on a population of 110 rabbit meat merchants in Indonesia. The study established that product innovation has a significant effect on sustainable competitive advantage. In another study, Avenyo et al. (2020) examined product innovation and informal market competition in sub-Saharan Africa. The study surveyed companies from 122 countries in Africa. The study's findings revealed that product innovation is a major contributor to firms' competitive strength.

Serengil and Ozpinar (2017) conducted a study on workforce optimisation for bank operation centres. The study reveals that workforce planning conducted in line with standard operating procedures enables an entity to reduce redundancies, thereby decreasing labour costs, while increasing service quality and customer satisfaction. Study findings indicate that the use of technology and automation greatly reduces reliance on physical staff members, lowering costs related to their management and yielding cost savings from process automation that improve operational efficiency. The study focuses more on workforce forecasting than on workforce optimisation, and measures of workforce optimisation were not clearly identified.

The automotive companies in Kenya are facing various challenges that continually affect their competitive advantage and the sector's. The KAM automotive sector profile (2020) details various challenges facing the sector. Homologation is a national process that determines which motor vehicle types are to be manufactured locally, thereby promoting economies of scale and guaranteeing volumes for assemblers, component manufacturers, and aftermarket operations (KAM, 2020). According to the profile, the lack of vehicle homologation has affected local parts manufacturing's perceived quality and market positioning. Marketing and sales of locally assembled or manufactured products is an issue due to the lack of homologation processes. According to Ongwae (2020), the motor industry stakeholders have, over the last decade, been urging the government to encourage local assembly; the assemblers have repeatedly asked the government to fully support their industry or continue exporting jobs; and have been arguing that if the government does not adopt appropriate policies, vehicle assembly in the country will cease, leading to loss of jobs. To this end, this study sought to establish the influence of operations strategies on the competitive advantage of automotive companies in Kenya.

Methodology

The study used an explanatory research design. The target population comprised 400 members of the top management team, including CEOs, functional managers, and senior managers, drawn from 63 automotive companies in Kenya. The study utilised a census to include all 400 members of the top management team in the 63 automotive companies. Questionnaires were used in data collection. Data analysis was conducted using the Statistical Package for the Social Sciences (SPSS) version 26.0, in which both descriptive (means, percentages, and standard deviations) and inferential (correlations and regression) analyses were performed. The hypothesis was tested using a linear regression model. Show the model here so that we can relate to the results

Results

Demographic Characteristics

The study findings indicate that 37.5% of participants reported that their companies had been in operation for 11 to 20 years. Besides, 9.5% of the study participants indicated that their automotive companies had been in operation for over 40 years. The findings demonstrated that 33% of



respondents reported that their automotive companies generated revenue of less than KES 500 million in the preceding financial years, while 2.3% reported that their firms generated revenue of over KES 10 billion. The study results indicate that most automotive companies (53%) had 5 branches or fewer, while 2.3% had 16 or more branches. The results presented in Table 4.5 indicate that 53.6% of the study participants indicated that their firms had 100 or fewer employees, while 10% had more than 500 employees. The study findings show that 44.4% of the firms were local, 21.5% were regional, with 33.2% were global.

Table 1: Demographic Characteristics

Variable	Indicator	Frequency	Percent
Years	Below 10 years	90	25.8
	11 - 20 years	131	37.5
	21 - 30 years	61	17.5
	31 - 40 years	34	9.7
	Above 40 years	33	9.5
	Total	349	100.0
Sales Revenue in KES	Less than KES 500 million	115	33.0
	KES 501 million - below KES 1 billion	108	30.9
	KES 1 billion - below KES 2 billion	66	18.9
	KES 2 billion - Below KES 5 billion	40	11.5
	KES 5 billion - Below KES 10 billion	9	2.6
	KES 10 billion and above	8	2.3
	Not indicated	3	.9
Total	349	100.0	
Number of Branches	5 branches or below	185	53.0
	6 - 10 branches	119	34.1
	11 - 15 branches	32	9.2
	16 branches and above	8	2.3
	Not indicated	5	1.4
	Total	349	100.0
Number of Employees	100 or below	187	53.6
	101 - 200	50	14.3
	201 - 300	63	18.1
	301 - 400	11	3.2
	401 - 500	3	.9
	Above 500	35	10.0
	Total	349	100.0
Scope of Operations	Locally (only within Kenya)	155	44.4
	Regional (Within East Africa)	75	21.5
	Globally (Africa and beyond)	116	33.2
	Not indicated	3	.9
	Total	349	100.0



Descriptive Analysis

Operations Strategies

Operations strategies were assessed on a five-point Likert scale. Data was analysed by computing the mean score of the responses and interpreted as 1.0-1.4=strongly disagree, 1.5-2.4= disagree, 2.5-3.4= moderately agree, 3.5-4.4= agree, 4.5-5.0= strongly agree. Table 2 highlights the mean score and standard deviation for the specific operations strategies among automotive companies.

Table 2: Operations Strategies

Operations Strategies	Mean	Std. Deviation
Our company continually engages in the production, diffusion and translation of knowledge into new products that address societal problems	4.37	.590
Our company leverages on customer feedback to improve on the quality of its products	4.34	.649
Our company heavily invests in Research & Development to develop new products	4.21	.848
Our company invests heavily in Research & Development to improve its current product offering	4.12	.792
Our company has leveraged heavily on technology to drive product innovation	4.30	.680
Our company has incentive programmes that reward creativity among employees	4.23	.730
Our company considers process innovation as essential for growing businesses in a competitive market	4.30	.717
Our organisation has leveraged latest technologies to enable process revolution	4.39	.721
Our company has consistently applied change tools to transform business processes	4.28	.796
Our organisation continually pursues improvements in organisational task chains for efficiency	4.24	.676
Our company has developed strong innovation partnerships to bring in fresh perspectives and business models	4.31	.785
Our company always welcomes ideas from employees on how to improve business processes	4.49	.555
Our company has internalised the technological innovations and developments in electronics, hydraulics, and pneumatics	4.21	.760
The company has leveraged new technologies in all aspects of its business operations	4.23	.691
Our technologies adopted in this company have enabled employees to maximise their efficiency	4.41	.666
This company is a leader in the industry in upgrading technology standards	4.19	.705
Technology adoption enables our company to embrace digital transformation strategies effectively	4.31	.744
Our company improves the technological skills of its employees through frequent training programmes	4.25	.714
Our organisation sets realistic targets for its employees contributing to greater job performance individually or collectively	4.43	.566
Employee skills in our company are regularly evaluated and necessary improvements undertaken	4.31	.699
Our company always maintains workers who possess a range of skills that allow them to participate in more than one work process	4.40	.597
Employees in our company are always provided with the appropriate resources and tools they require for their jobs	4.31	.645
Our company has an effective training and development plan for all employees	4.19	.642
This company matches the skills of its employees to the assigned tasks and jobs	4.37	.750

Competitive Advantage

Competitive advantage was assessed on a five-point Likert scale. Data was analysed by computing the mean score of the responses and interpreted as 1.0-1.4=strongly disagree, 1.5-2.4= disagree, 2.5-



3.4= moderately agree, 3.5-4.4= agree, 4.5-5.0= strongly agree. Table 3 highlights the mean score and standard deviation for the competitive advantage among automotive companies.

Table 3: Competitive Advantage

Statements on competitive advantage	Mean	Std. Deviation
The quality of our company’s products is higher than competitors’ alternatives	4.5	0.55
Most of our customers make repeat purchases of our products	4.47	0.559
Our products surpass customer expectations most of the time	4.54	0.579
Our customers are very loyal to our products	4.52	0.614
Our customers regularly recommend our products to others	4.5	0.545
Customers who buy our products mostly rate the products highly	4.51	0.575
Our company has a cost leadership strategy that enables it to keep prices for products lower than competitors	4.02	0.969
Our organisation employs a product differentiation strategy to differentiate its products from its competitors	4.26	0.75
Our company has internalised a customer relationship management strategy as well as a customer-centric culture enabling it to create positive relationships with its customers	4.48	0.604
Our company keeps production costs low by outsourcing to improve its supply chain	4.13	0.862
Our company leverages a focused strategy to target niche markets with our unique products	4.43	0.633
Our organisation has developed necessary processes that allow employees to acquire and share knowledge	4.41	0.67
Our company has necessary resources that allow employees to use new knowledge in their routine tasks	4.45	0.644
In our company, we have processes for acquiring information about other organisations / competitors	4.2	0.922
In our company, we make good use of technology to share information on processes and products	4.38	0.691
In our company, knowledge acquired is regularly experimented and applied within the operations	4.41	0.712
Management in our company emphasises the importance of utilizing new knowledge	4.52	0.632
Our organisation readily reacts to changes by immediately updating its processes	4.45	0.578
Our company has flexibility to change and align to the changes in the external environment of the automotive industry	4.45	0.568
The management in our company collaborates with all key stakeholders before making key decisions	4.39	0.706
In our company, we quickly implement our planned activities with regard to customer needs	4.45	0.661
In implementing our strategy, management focuses more on responding to changes over following the plan	4.41	0.728

Inferential Analysis

The study conducted a simple linear regression analysis to explore how operations strategies influence the competitive advantage of automotive companies in Kenya. The null hypothesis tested was:

$$H_0: \text{Operations strategies do not influence the competitive advantage of the automotive companies in Kenya.}$$

The study findings in Table 4 indicate a moderate correlation between operational strategies and the competitive advantage of automotive companies in Kenya (r = 0.517). The findings further



indicate that 26.7% of the variability in the competitive advantage of automotive companies is explained by operations strategies (R Square = 0.267). This further implies that the error term and other variables not considered by the model could explain 73.3% of the variability in the competitive advantage of the automotive companies in Kenya.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.517	.267	.265	.28638

- a. Predictors: (Constant), Operations Strategies
- b. Dependent variable: Competitive advantage

The ANOVA results, summarised in Table 5, indicate that the F statistic was statistically significant, indicating that the operations strategy was a significant predictor of competitive advantage (F = 126.638, p < 0.05).

Table 5: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	10.386	1	10.386	126.638	.000
Residual	28.458	347	.082		
Total	38.843	348			

- a. Predictors: (Constant), Operations Strategies
- b. Dependent Variable: Competitive advantage

The study findings in Table 6 and the regression equation demonstrate that operation strategies had a statistically significant and positive influence on the competitive advantage of automotive companies in Kenya ($\beta = 0.517$, $t = 11.253$, $p < 0.05$). These findings led to the rejection of the null hypothesis that operations strategies have no statistically significant influence on competitive advantage among automotive companies in Kenya. The findings imply that a change of one unit in operation strategies would lead to a change of 0.517 in competitive advantage. Additionally, the findings suggest that as operational strategies improve, the competitive advantage of automotive companies in Kenya is expected to increase, and vice versa. From the results in Table 6, the regression model is:

$$\text{Competitive advantage} = 2.575 + 0.517(\text{Operations Strategies}) + 0.038$$

Table 6: Regression Coefficients

Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.575	.163		15.779	.000
	Operations Strategies	.426	.038	.517	11.253	.000

- a. Predictors: (Constant), Operations Strategies
- b. Dependent Variable: Competitive advantage

Discussion

Findings revealed that operations strategies had a statistically significant influence on the competitive advantage of automotive companies in Kenya ($\beta = 0.517$, $t = 11.253$, $p < 0.05$). The findings are in line with Porter's value chain model, which explains how operational strategies create value in supply chain relationships, enabling the firm to remain competitive (Ensign, 2001). Similarly, Veiga et al. (2022) pointed out that operations strategy addresses how to overcome current and future challenges posed by the competitive environment and encompasses the long-term development of operations resources and processes to sustain competitive advantage. Further, the findings support Zatta's (2021) observation that operations strategy guides the search for competitiveness and highlights the role of



manufacturing as decisive for adapting strategic resources and developing competencies to compete in competitive environments.

The study findings also demonstrated that operations strategies had a moderate and positive relationship with the competitive advantage of automotive companies in Kenya ($r = 0.517$, $p < 0.05$). These findings are in line with Kuncoro and Suriani (2018), who argue that operational strategies that introduce new products in the face of competition are one way to win in competition through product innovation. Besides, Jaimovich (2021) established that innovations, particularly product innovations, remain a primary driver of a firm's technological competitiveness through improvements in product quality, offering of new products, or opening up new markets or groups of customers, thereby increasing the firm's market share, which is supported by the findings from this study. Additionally, the findings of the study that operations strategies had a statistically significant and positive influence on the competitive advantage of automotive companies in Kenya agree with the findings by Shehata and Montash (2020) that the operations strategies that focus on the adoption and implementation of technology by various organisations in emerging markets have become increasingly important to remain competitive.

In line with this study's findings, Serengil and Ozpinar (2017) opined that, to improve performance and gain a competitive advantage, companies must implement operational strategies and mechanisms that enable them to leverage workforce optimisation to maximise workforce output. Gomar *et al.* (2002) also concur with the findings here, noting that multiskilling is a workforce optimisation strategy that has been shown to reduce indirect labour costs, improve productivity, and reduce turnover, thereby enhancing a firm's competitive advantage. In addition, Macurova *et al.* (2019) state that process innovation, a vital operations strategy, is a prerequisite for success in a highly competitive business environment.

It was evident that operational strategies can play a decisive role in developing a favourable competitive position for companies. Concurrently, Zatta *et al.* (2021) indicated that operations strategy guides the search for competitiveness within an organisation and is instrumental in competing in competitive environments. Additionally, the study by Scur and Heinz (2016) suggests that operations strategy has a major impact on companies' competitive performance. Another study in Indonesia by Kuncoro and Suriani (2018), which examined how companies can attain sustainable competitive advantage through product innovation, found a positive relationship between product innovation and sustainable competitive advantage.

Conclusion

Findings led to the conclusion that operations strategy significantly influences the competitive advantage of automotive companies. The study concluded that automotive companies in Kenya had effective operational strategies that included product innovation, technology adoption, workforce optimisation, and process innovation. Moreover, operation strategies in automotive companies, such as product innovation, technology adoption, process innovation, and workforce optimisation, were essential for the competitive advantage of automotive firms. To achieve a competitive advantage, automotive companies should consistently participate in the creation, dissemination, and interpretation of information to develop novel products. Automotive companies should endeavour to enhance the technological competencies of their workforce by conducting regular training initiatives and implementing a proficient programme for the training and advancement of their entire workforce.



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