



EVALUATION OF THE RELATIONSHIP BETWEEN COMPETITIVE DYNAMICS AND ORGANISATIONAL CAPABILITIES ON THE PERFORMANCE OF TELECOMMUNICATION FIRMS IN NIGERIA

Niyi Israel AKEKE (PhD)

ninikx2002@yahoo.com

*Department of Business Administration, Faculty of Management Sciences,
Ekiti State University Ado-Ekiti*

Sunday Adeniyi OLASEHINDE

Sunday.olasehinde@fuoye.edu.ng

*Department of Business Administration, Faculty of Management Sciences,
Federal University Oye-Ekiti*

ABSTRACT

The study objective is to evaluate how competitive dynamics relate to the organisational capabilities of telecommunication firms in Nigeria. Southwest Nigeria was where the study was conducted. The six states that make up the region are Ekiti, Ondo, Ogun, Oyo, Osun, and Lagos. This study adopts a cross-sectional survey approach and a quantitative method of data collection in order to evaluate, interpret, and achieve the study's objective. The population used for telecommunication firms' subscribers and employees totaling 183,807,674 and 7,750, respectively. The data were analysed through correlation analysis. The findings showed that the relationship between competitive dynamics and organisational capabilities in the telecommunication industry is low and insignificant. The study concludes that must be put in place by the firms to remain competitive and relevant in the telecommunication industry. The study recommended that competitive dynamics factors such as pricing structure, promotional strategy, and product development be given more attention to improving performance and organisational capability.

Keywords: Competitive Dynamics, Organisational Capabilities, Performance, Telecommunication Firm.

INTRODUCTION

The deregulation and liberalisation of the telecommunication sector in Nigeria gives additional firms operational licenses to compete against the defunct Nigeria Telecommunication Limited (NITEL), which has dominated the sector for more than two decades. The deregulation led to keen competition in the telecommunication sector. The major tools for survival are profitability which remains the utilization of organisational capabilities. The operators in Nigeria's telecommunications sector are expected to improve their performance due to organisational capabilities. Studies of class survival competition, analyses of how diverse businesses forms to battle for dominance and investigations into game-theoretic models are just a few examples of the many situations in which competitive dynamics have been used.

Competitive dynamics is the study of inter-firm competition based on blatant and obvious competitive actions and reactions, their strategic and organisational settings, and their causes and



consequences (Downing, Kang, & Markman, 2017). Since the beginning of the research, there has been a lively academic discussion about the importance of competition and how the economic market functions. Strategic management experts have concentrated on individual organisations and their competitive strategies and advantages, while economists have concentrated on the welfare implications of competition (Schimmer & Markus, 2012). Management specialists eventually developed viewpoints on the inter-firm rivalry that were better adapted to understanding performance variances among organisations (Schimmer *et al.*, 2012), despite initially embracing economic principles.

The performance differences between organisations have been one of the central issues in strategic management studies over time (Hawawini, Subramania & Verdin, 2003). Therefore, organisations striving for survival and improved performance in an uncertain business environment must continuously search for developing and executing effective strategies that would make them competitive and remain efficient for the firm's success (Thornhill & Amit, 2003). For instance, when determining what factors will make firms operating in the same industry perform better, Lu, Zhou, and Li (2010) argue that the capacity to develop effective strategies is an essential resource or tool as it allows the attainment and maintenance of a firm competitive reality.

Organisational capabilities are thus described as a firm's capability to carry out a coordinated activity while utilising organisational resources to realise a certain objective (O'Regan & Ghobadian, 2004). In an organisation like a telecommunications firm, managing radical business transformations, digital transformations, and other worldwide developments is critical; therefore, establishing organisational competencies is critical to achieving and maintaining competitiveness in a highly dynamic business environment (Nayeemunnisa & Gomathi, 2020). The level of competition in the telecommunications business is crucial to the industries overall development and contribution to national well-being. The range of service options offered to consumers in the telecommunications business, according to Kovacs (2013), is easily a result of competition-induced innovation. As a result, attempts to improve the efficiency of the telecommunications business should include an assessment of the sector's competitiveness. In Nigeria, the telecommunications industry is a vital part of the highly competitive economy (Ayaga & Nwabuko, 2019). In Nigeria today, Glo, Mtn, Airtel and 9mobile are engaged in the cut-throat competition Ehime in (Ayaga *et al.*, 2019).

Given the preceding, organisational capabilities are expected to moderate the relationship between competitive dynamics and Nigeria's telecommunications industry performance. Many empirical studies of competitive phenomena have been conducted (Chen, 2007); however, the methodologies used have become a major point of contention (Wecther & Rousselet, 2012). According to Ketchen *et al.* (2008), attention to technique is crucial for advancement in competitive dynamics and strategic management research (Venkatraman, 2008). Furthermore, many earlier studies focused on actions conducted by organisations and firms across numerous industries and markets, in line with the concept of strategy as a set of acts (MacGrimmon in Chen & Miller, 2014; Hutzschenreuter & Grove, 2009). In contrast to earlier studies, this one focuses on a particular industry and a single market economy in a transition economy - the telecommunications sector – and includes both entrepreneurial and deterrent behaviours. Many previous types of research have focused on the building blocks of competition, such as action and response dyads, until now (Smith *et al.*, 2001). This study focuses on streams of actions as



suggested as a better way of studying competition (Rindova, Ferrier & Withbank, 2010). The study objective is to evaluate how competitive dynamics relate to the organisational capabilities of telecommunication firms in Nigeria.

LITERATURE REVIEW

According to Chen and Miller (2012), competitive dynamics are the actions and reactions of a single firm participating in a cutthroat business climate within an industry to obtain a competitive edge. The activity of a single firm becomes the primary indicator of competitive dynamics as each competing firm takes this step to increase its competitive advantage over its rivals. In this regard, Schweig (2015) points out that strategy creation and implementation are part of competitive dynamics. To stay competitive in a highly competitive market, businesses must react to and respond to rivals' competitive actions. According to Schweig (2015), finding out who the target rivals are to understand competitive dynamics.

Many studies on competitive dynamics have been framed by and inspired by Schumpeter's concept of creative destruction (Smith *et al.* in Bengtsson, Eriksson & Wincent, 2010). In 1942, Schumpeter invented the word "creative destruction" to characterise the dynamic market process that drives healthy behaviour and response in the quest for market opportunities (Smith & Ferrier, 2001). The action and reaction in a competitive environment are defined as creative destruction, which is dominant enterprises' unavoidable and eventual market collapse (Schumpeter in Chen & Miller, 2012). In this dynamic environment, leaders' innovative acts trigger responses from competitors who attempt to undercut the leaders' advantages by pursuing new chances. Indeed, Schumpeter claimed that a leader's long-term effectiveness and survival depend on how a competitor acts and responds (Smith & Ferrier, 2001). According to this theory, innovative first-mover firms benefit from fleeting dominance opportunities and abnormal profits since rivals take longer to respond (Nelson & Winter in Xiang, Magnini & Fesenmaier, 2015; Porter in Jiayu, 2021). Due to this, researchers researching competitive dynamics have tried to empirically pinpoint strategic moves that will profit from a deferral in reaction or actions that will increase the delay (Chen & Miller, 2012).

This research work explored the following measures of competitive dynamics: pricing structure, promotional strategy, product strategies, advertising strategies, and service and operations strategies were identified by Smith *et al.* (2001; 2005) as the forms of aggressive activities or actions undertaken by rival organisations. Other features of competitive actions explored were the radicality of the competing move and the extent to which the action was recognized from established norms.

Strategic management portrays organisational capabilities as crucial success criteria, and practically every firm today aspires to be seen as great at what it does, Collis in (Nayeemunnisa *et al.*, 2020). Some writers treat it as a well-known derogatory term, whereas others focus on only a few aspects. Amit and Schoemaker's definition of organisational Capabilities (Gurkan *et al.*, 2015) states that "a firm's capability to use its resources, whether they be actual or immaterial, to carry out a task or activity and boost performance". It may be described as "an ability of the organisation to carry out a series of linked acts while employing organisational resources to achieve a certain goal" (Helfat & Peteraf, 2003).



This research work used the following dimensions of organisational capabilities (Service Capability, Technological Capability, Information System Capability, Marketing Capability, Upper Management Capability, External Relationship Capability, Global Capability, and Order Fulfillment Capability) as identified by Lee (2001), Celuch *et al.* (2002), Kaleka (2002); and Cemal Z.; Acar; Haluk (2006).

The essential notion of business performance is frequently used as a dependent variable in strategic management research. Regardless of its significance, there needs to be more unanimity on its meaning and dimension, which makes it difficult to study and understand the topic (Santos & Brito, 2012). A company's period and reference point must be considered when seeking to quantify performance. Although it is possible to discriminate between past and future performance, past excellence does not guarantee future excellence (Carneiro, 2005). Many businesses face the issue of improving their performance and adapting to a changing competitive landscape (Waithaka, 2016). Subjective performance criteria of Santos and Brito (2012) are employed in this study to assess both strategic performance (customer satisfaction, employee satisfaction, environmental performance, and social performance) and financial performance (profitability, growth, and market value).

Theoretical Review

The underpinning theory for this research is game theory, which serves as the foundation for the study. This is because game theory strives to provide a range of responses to various outcomes based on player actions. When ambiguity and little information are available, each player tries to maximise profits or minimise losses. This requires ranking preferences, evaluating probability, and trying to influence and forecast what the other actor will do. These are the core characteristics of the firm and are integral to organisational performance and capabilities.

A *game* is a situation where two or more people (MTN, Glo, Airtel, and 9Mobile) compete to achieve specified competing goals. No matter the circumstance or "game," there is a strategy that will enable one person to triumph and make a profit while the other players lose. This is the basis of game theory. Consequently, game theory is a field of knowledge that examines the choices made by two or more rivals or even clients. A mathematical theory of decision-making by participants in a competitive context can be described as game theory in strategy. In a typical scenario to which the theory applies, each person can have some effect on the outcome, but no single participant or chance alone can predict the conclusion.

METHODS

Southwest Nigeria was where the study was conducted. The six states that make up the region are Ekiti, Ondo, Ogun, Oyo, Osun, and Lagos. The study area is home to commercial activities in Nigeria. This study adopts a cross-sectional survey approach and a quantitative method of data collection in order to evaluate, interpret, and achieve the study's objective. This study adopts multi-stage and convenience sampling techniques to identify the subscribers and employees. To achieve a multi-stage technique, the first stage involved the purposive judgemental technique of service providers with the population as stated against each network provider, totalling 183,807,674 and 7,750 subscribers and employees, respectively. The second stage involved taking a sample from the total population using Yamane (1973) model. The third stage involved working out an allotment of the proportional sample size of employees per network provider in



Nigeria. This makes it easier to determine the appropriate respondents from each state. The respondents were then stratified into employees of the telecommunication firms and subscribers. The study's data was gathered from primary sources. The variables were modified for measurement on a Likert scale of 1 (strongly agree) to 5 (strongly disagree). The data were analysed with a correlation matrix.

RESULTS

Table 1: Relationship between Competitive Dynamics and Organisational Capabilities

	Mean	Std. Dev	Competitive Dynamics	Promotion	Pricing	Product Devpt	Capability	Remark
Competitive Dynamics	3.998	0.348	1				0.061	NS
<i>Promotion</i>	3.924	0.650		1	-0.020	0.073	0.030	NS
<i>Pricing</i>	4.038	0.564			1	0.109*	0.017	NS
<i>Product Development</i>	4.033	0.504				1	0.072	NS
Organisational Capability	3.784	0.710					1	NS

NS- Not significant

* Significant at 10%

Table 1 shows how competitive dynamics relate to organisational capabilities. The aggregate of promotion, pricing and product indicates competitive dynamics in the study. The correlation analysis used to evaluate the relationship is shown in Table. Preliminarily, the mean and standard deviations of both competitive dynamics ($\bar{x} = 3.998 \pm 0.348$) and organisational capability ($\bar{x} = 3.784 \pm 0.710$) constructs of the firms show that both constructs are being utilized in the firms. The correlation analysis shows that the relationship between competitive dynamics and organisational capabilities is low and insignificant ($r = 0.061$, $P > 0.05$).

DISCUSSION OF FINDINGS

The mean and standard deviations of the firms' competitive dynamics and organisational capabilities showed that the telecommunication firms are being utilised (MTN, GLO, AIRTEL & 9MOBILE). Similarly, the correlation analysis showed that the relationship between competitive dynamics and organisational capabilities in the telecommunication industry is low and insignificant. The result of this study corroborated the findings of the study conducted by Karedza and Govender (2020), which showed a positive and insignificant relationship between distinctive capabilities and the export performance of SMEs. Also, the study was in line with the result of the research conducted by Li, Chen and Huang (2006), which indicated that organisational capabilities do not necessarily have a significant direct effect on firm performance; other factor constructs must mediate it. Contrarily, this study's finding negates the study conducted by Cemal, Acar and Haluk (2006), which indicated that organizational capabilities have positive and significant effects on business performance directly.

CONCLUSION AND RECOMMENDATIONS

The study concludes that more needs to be put in place by the firms to remain competitive and relevant in the telecommunication industry due to the low and insignificant relationship between competitive dynamics and organisational capabilities. Despite the lack of a significant link



between competitive dynamics and organisational capabilities, the study recommends that competitive dynamics factors such as pricing structure, promotional strategy, and product development be given more attention to improving performance and organisational capability.

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