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ABSTRACT

Firms competitiveness differ from one another in the same industry with some firms portraying higher competitive advantage than others which can be connected to the type and nature of resources in possession by each firm. With the recognition that firm resources present new opportunities for the achievement of competitive advantage, there is a growing consensus that the strategic and innovative use of resources will be an essential enabling factor towards ensuring that firms enjoy competitive advantage. The purpose of the study was to examine the effect of firm resources competitive advantage for law firms in Kenya. The anchoring theory in this study was the Resource Based Theory (RBT). The study utilized the positivist philosophy and a descriptive cross-sectional survey design. The unit of analysis was law firms in Kenya. A close-ended questionnaire was used to collect primary data relating to the firm resources and competitive advantage. Data analysis was at two levels – descriptive statistics level and inferential statistics level. Inferential analysis was performed in order to establish the nature and magnitude of the relationships between the variables and to test the hypothesized relationships. P-value was used to check for significance of individual variables in the regression equations, whereby a relationship was considered to be statistically significant if the p-value is ≤ 0.05. Relying on the Resource Based Theory that an organization with unique resources outperforms other firms in gaining competitive advantage since other firms cannot imitate such resources. It was reasonable to note that when resources are well allocated by the management to key functional areas competitive advantage of the firm was improved. From the findings, it was observed that there is a gap in the relationship between whether a firm realize the potential of strategic resources that they own and how this information is utilized to gain sustained competitive advantage. This is one of the great steps that may lead to differentiation between successful and unsuccessful firms. The study recommended that the moderation effect of the Top Management Team (TMTs) in the day to day running of the business should be taken in to consideration.

Keywords: *Firm Resources, Competitive Advantage, Law firms in Kenya in Kenya*

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INTRODUCTION

Strategic management research has shown that firms build and gain competitive advantage to succeed in a competitive environment through mobilization and acquiring unique and distinct resources as compared to that of competitors (Alomari, Amir, Aziz & Auzair, 2018). Competitive advantage can be defined as a company's ability to develop unique strategies that result in superior returns and occur when a firm is implementing a value creating strategy that is not simultaneously being implemented by any current or potential competitors and when these other firms are not able to duplicate the benefits of this strategy (Cheraghalizadeh & Tumer, 2017). Firm resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge among others controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness. It can also be understood to be strengths that a firm can use to conceive of and implement their strategies (Febrian, Maulina & Purnomo, 2018).

Firms competitiveness differ from one another in the same industry with some firms portraying higher competitive advantage than others which can be connected to the type and nature of resources in possession by each firm (Haseeb et al., 2019). The more a firm controls and employs resources in possession effectively, the higher it achieves the upper hand in the industry. The key features in determining firms competitive advantage are its resources both internal and external which rare, valuable and inimitable and since the resource are unique, the firm becomes proficient enough for producing and delivering innovative and high-quality products and services hence creating a difference (Cao, Berkeley, & Finlay, 2014; Haseeb et al., 2019). Firms therefore need to consider the use of their resources in order to build up the unique core competencies for the accomplishment of competitive advantage (Othman, Arshad, Aris, & Arif, 2015).

A survey conducted by the UN Department of Economic and Social Affairs highlights the magnitude of Sub-Saharan Africa's firms' resource difficulties (United Nations, 2000). Of 40 countries the United Nations considers least developed, 31 (78%) are in Sub-Saharan Africa. Further, for the period 1965-1999, the average annual GDP per capita growth declined in 16 Sub-Saharan countries. Africa's social and economic plight is evidenced by the fact that 290 million (41%) of Africa's population survives on less than a dollar a day (Mayer, Somaya & Williamson, 2012). Characterized by an extremely unstable political environment, several African countries firms have ceased to operate due to limited resources e.g., Burundi, Angola, D.R. Congo, Sierra Leone, Rwanda, Sudan as well as Somalia (Campbell & Park, 2016).

In Kenya firms continues to face serious challenges of complex business environment thus becoming increasingly more important for them to strive and develop competitive advantage through mobilization and use of resources with the argument that creation of competitive advantage increases firms with the help of firm resources (Nyaga & Whipple, 2011). To attain the desired competitive strategic position, firms can develop their competencies by observing factors such as human competencies, internal organizational strategies and regulations. The unreliable, expensive and unsustainable energy use as organization in Kenya electricity sub-sectors often seem persuaded to pursuing strategies that are patently not working hence destroying customer confidence and shareholders' value (Owiro 2015). The importance of efficient management of resources has been demonstrated (Munda & Saisana, 2011; Rutkauskas, 2008). But traditionally, the public sector has maintained strong control of the energy sector on the grounds of economic, strategic, or political reasons (Shirley and Nellis, 1991); besides management of these companies has largely been unsatisfactory. The Kenya case is not an exception and the current energy model is under question (Pueyo, 2018).

Problem Statement

The nature and value of a firm's resources and the firm's ability to deploy them to enhance their strategic value are central to strategic management (Amit & Schoemaker, 2016). With the recognition that firm resources present new opportunities for the achievement of competitive advantage, there is a growing consensus that the strategic and innovative use of resources will be an essential enabling factor towards ensuring that firms enjoy competitive advantage (Kabue & Kilika, 2016). A firm can obtain competitive advantage from its resources in two principal ways: by either gaining a first mover advantage, or by erecting mobility barriers, including competence that give strength to firms dealing with the competition and also enhancing by the high uniqueness or low substitutability of a resource, thus giving the firm a competitive advantage over its rivals. An effective strategy will strengthen a resource's effect on the firm's distinctive competence (Jiang, 2014). Firms utilize their resources and capabilities to exploit opportunities and neutralise threats to achieve sustainable competitive advantage (Ombaka, Machuki & Mahasi, 2015). The value generated by current resources and capabilities inclines to become outdated and competitive advantages may not be sustainable in the long run (Keat, Sam, & Kadir, 2018). Firms are exposed to sickness to a larger extent due to resource scarcity and their capacity to perform better than others comes from continuously developing existing resources and creating new resources as needed (Mehta & Rajan, 2017).

Law firms in Kenya operate in diverse industry where different firms which can be pure partnership or limited partnership are characterized by different attributes including firm resources. There is variation in organizational performance across the industry with some law firms have been performing well, others have found it difficult to operate in the industry leading to their dissolution and in some cases debarment (LSK, 2015). The law firms are faced with a myriad of challenges, key among them are the emergence and the entry of foreign law firms necessitating adoption of strategic management practices within the industry (Brock, Yaffe & Dembovsky, 2006). There is evidence of crafting and implementing of strategies such as sourcing and deploying resources in operations for competitive advantage to be achieved. The debate on the influence of firm resources on performance is inconclusive thereby prompting to answer the question as to what is the influence of firm resources on competitive advantage of Law firms in Kenya.

LITERATURE REVIEW

The foundations of Resource Based Theory originated from the works of Penrose (1959) and Chandler (1962). These early scholars postulated that firm resources were the single most important source of competitive advantage as well as overall firm performance. The RBT postulates that resources possessed by an organization are the primary source of performance and competitive advantage (Alomari, Amir, Aziz & Auzair, 2018). On the other hand, the DCT argues that it is not the resource possession alone that leads to competitive advantage. Rather, it is how resources are combined, reconfigured, and coevolved, as needs arise would lead to superior performance. The resource based view of the firm is an influential theoretical framework for understanding how competitive advantage within firms through resources is achieved and how that advantage might be sustained over time (Barney, 1991; Penrose, 1959; Peteraf, 1993; Hitt, Ireland & Hoskisson, 2011; Pearce et al., 2012). The basic argument of this theory is that different types of resources possessed by a firm can have a significant influence on its performance. Variations in resources across firms will, on the other hand, lead to differences in performance. Therefore, possession of unique resources is a source of superior performance. This theory posits that firms can be conceptualized as bundles of resources. That those resources are heterogeneously distributed across firms and that resource differences persist over time (Amit & Schoemaker, 1993; Penrose, 1959; Wernefelt, 1984). Using these assumptions, researchers have conceptualized that when firms have resources that are valuable, rare, inimitable, and non-substitutable (VRIN) they can achieve competitive advantage by implementing fresh value-creating strategies that cannot be easily duplicated by competing firms (Campbell & Park, 2016).

The other argument of this theory concerns resource slack in firms. Classic resource based conceptions stress the importance of resource slack as a river of growth rather than the total quality of resources possessed by the firm (Penrose, 1959). Slack is a dynamic quality that represents the difference between resources correctly possessed by the firm and the resource demands of the current business. Two firms can possess the same level of resources but differ in resource need of their current business. The difference in slack will lead to further growth since those with high slack will be endowed with ability to take advantage of the opportunities afforded by the environment (Mishina et al., 2004). Increased attention to the firm's resources by researchers seems to be beneficial in helping clarify the potential contribution of resources to firms' competitive advantage. The RBTs growing influence or swing of pendulum has provoked a significant debate on its strategy in the actual market. Some researchers report that the resources controlled by a firm generally enhance growth (Talaja 2012; Grant & Jordan, 2012) and represents innovative competitiveness of the firm. Studies have demonstrated the existence of the relationship between physical resources and their effect on competitive advantage. For instance Cheraghalizadeh and Tümer (2017) studying the effect of applied resources on competitive advantage in hotels: Mediation and moderation analysis with respect to dynamism of environmental conditions and market factors with the application of Correlation and regression analysis to evaluate the relationship between variables and the method of Baron and Kenny (1986) was considered to evaluate mediation effects found that that managerial competence, employees' trait competitiveness and physical resources affect customer relationship quality positively which in turn leads to competitive advantage. Pergelova and Angulo (2014) examined the influence of government financial support on new firms' performance. Extant empirical research on the topic has found mixed results, which warrants an exploration of the theoretical basis for the impact of support policies on new firms' performance. Grounding the theoretical model in the resource-based view and institutional theories, this study contends that performance outcomes – e.g. revenues or profits – should not be the first outcomes of public policies to be examined. Instead, competitive advantage formation is suggested as a link between support policies and new firms' performance.

Leonidou, Palihawadana and Theodosiou (2011) studied National export-promotion programs as drivers of organizational resources and capabilities: effects on strategy, competitive advantage, and performance. The authors present the results of a study that empirically tests a model connecting national export-promotion programs with export performance through the intervening role of export-related organizational resources and capabilities, export marketing strategy, and export competitive advantage. The study reveals that the adoption of specific national export-promotion programs positively strengthens the firm's export-related resources and capabilities, which in turn are instrumental in developing a sound export marketing strategy. By realizing this strategy, the firm enjoys competitive advantages related to costs, products, or services, which in turn help it achieve superior export performance in both market and financial dimensions. In addition, the firm's export market performance has a positive impact on export financial performance. This study also shows that the effect of national export-promotion programs on export-related resources and capabilities is stronger among smaller firms and, for some programs, among firms with less export experience.

Goswami (2018) studying human resource management and its importance for today's organizations in a review of literature concluded that human resource management is one of the necessary needs of today's business. Human resource management department has a very important role for supply of the human being to main resources of companies. Human resource management department has fundamental role for personnel recruiting, orientation and performance appraisal and so on. Human resource management issues to be addressed at the highest level in the organization and management of strategic decisions are required. Campbell and Park (2016) studying internal and external resources of competitive advantage for small business success: validation across family ownership reviewing both internally-driven strategic factors such as entrepreneurial orientation and firm capital and externally-driven factors such as social capital and community social responsibility and their effects on business performance across family-owned small businesses. Under a resource-based view of the firm framework, the sample was analysed using structural equation modelling. Results suggested that entrepreneurial orientation, firm capital, and corporate social responsibility reflect a significant positive relationship with business performance. Testing of relationship effects based upon ownership type (family versus non-family owned) showed no significant differences. Implications and future research directions for practitioners and academics were provided.

METHODOLOGY

The study was a descriptive cross sectional survey. Descriptive cross sectional surveys are types of research designs where data is be collected across a number of organizations at one point in time. The target population consisted of all Law firms in Kenya as at 30th December 2015. According to the Law Society of Kenya (2015) there were 7132 law firms in Kenya, practicing in various counties. These law firms practice in different areas of law. For this study, the sample size for such cross sectional survey was determined according to three factors (Kate, 2006). These are the estimated percentage prevalence of the population of interest-10%, the desired level of confidence and the acceptable margin of error. In a study involving a simple stratified random sample, as indicated by (Yamane 1967), where the sample size had an error of 5% with a confidence coefficient of 95%, the sample size required can be calculated according to the following for formula below.

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

$n = 7{,}132 / [1 + 7{,}132 * 0.05^2]$

$n = 379$

Where:

N= Target Population

n=required size

e= margin of error at 5% (standard value of 0.05)

Table 1: Sample Size

Strata	Target population	Percentage	Sample size
47 counties in Kenya	7132 law firms	100	379 law firms

The study applied computer to generate random numbers in order to obtain sample size that is applicable to draw conclusions since high population was involved. This study collected primary data. The data was largely quantitative in nature. The data was collected using a semi structured questionnaire. Tests of statistical assumptions tested for regression assumptions to establish if the data met the normality, linearity, independence, homogeneity and collinearity

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assumptions in this study. Multiple regression was used to test the relationship between variables;

The overall model was:

$Y= \alpha + \beta_1 X_1 + \beta_2 X_2+ \beta_3 X_3+ \beta_4 X_4+ \beta_5 X_5 \varepsilon$

Y = Competitive advantage

X_1= Physical Resources

X_2= Financial Resources

X_3= Operational Resources

X_4= Human capital resources

X_4= Social Capital Resources

$\beta_{1,}$= Coefficient

RESULTS AND DISCUSSION

Zero-order correlation was conducted for the resources of the firm and competitive advantage using bivariate correlations; the results are reported in Table 2.

Table 2: Relationship between Firm Resources and Competitive Advantage

No	Variables	Mean	Standard deviation	Competitive advantage (r)
1	Physical Resources	3.15	1.329	.677
2	Financial Resources	3.03	1.391	.736
3	Operational Resources	3.32	1.327	.744
4	Human Capital resources	3.10	1.294	.725
5	Social Capital resources	3.29	1.399	.651

As shown in Table 2, the competitive advantage and firm resources namely; physical resources, financial resources, operational resources, human capital resources and social capital resources. Physical resources is significantly correlated with competitive advantage (r=.677, p=.000), financial resources (r=.736, p=.001), operational resources (r=.744, p=.000), and human capital resources with (r=.725, p=.000). So, there were significant relationships among all firm resources and competitive advantage. Multiple linear regression analysis was used to test the influence of firm resources on competitive advantage; the result was presented in Table 3.

Table 3: Regression coefficients

Variables	Beta	T-test	P-Value	Remarks
Physical Resources	.176	3.533	.000	H_1: Accepted
Financial Resources	.101	2.249	.025	H_2: Accepted
Operational Resources	.402	8.786	.000	H_3: Accepted
Human Capital resources	.113	2.909	.004	H_4: Accepted
Social Capital resources	.204	2.785	.000	H_5: Accepted
R Square	.617			

The regression analysis result in Table 3 indicated that physical resources have a significant influence on competitive advantage (β=.176, t=3.533, p=.000 < .05). This finding led to acceptance of H_1. Also financial resources has an influence on competitive advantage (β=.101, t=2.249, p=.025 < .05) therefore H_2 was accepted. Operational resources clearly showed that it has positive significance relationship with the dependent variable (β=.402, t=8.786, p=.000 < .05) therefore, H_3 was supported. Further, the human capital resources had significant effect on competitive advantage (β=.113, t=2.909, p<.001) therefore the H_4 were accepted. All firm resources are therefore key in enhancing the competitive advantage.

CONCLUSION AND RECOMMENDATIONS

All organizations formulate strategies to achieve their vision. However, for enhanced competitive advantage, these resources are used to ensure that firm functions well in terms of processes and overall efficiency that improves competitiveness. Relying on the Resource Based Theory that an organization with unique resources outperforms other firms in gaining competitive advantage since other firms

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cannot imitate such resources. It is reasonable to note that when resources are well allocated by the management to key functional areas competitive advantage of the firm will improve. These results were supporting past studies on the topic as firm resources is generally seen as an impetus toward competitive advantage and growth, at least within certain contexts, has been shown to be positively associated with, or as having a positive impact on competitive advantage.

To create the competitive advantage from the resources a firm owns, a team of resources must work together. From the findings, it was observed that there is a gap in the relationship between whether a firm realize the potential of strategic resources that they own and how this information is utilized to gain sustained competitive advantage. This is one of the great steps that may lead to differentiation between successful and unsuccessful firms. The study recommended that the moderation effect of the Top Management Team (TMTs) in the day to day running of the business should be taken in to consideration. Finally, innovations and firms reputation can be looked at and how this affects the competitiveness of the firm.

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