SERIAL MEDIATION EFFECT OF FIRM SIZE AND DYNAMIC CAPABILITIES ON THE RELATIONSHIP BETWEEN LEADERSHIP STYLE AND COMPETITIVE ADVANTAGE OF MANUFACTURING FIRMS IN KENYA

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ABSTRACT: *Competitive Advantage plays a significant role in developing and accomplishing organizational goals. However, some of the organizations are struggling to attain a competitive cutting edge against competitors. Previous studies have been done on the effect of different leadership styles on Competitive Advantage with mixed findings, therefore, requiring the inclusion of moderating or mediating variables. The purpose of this study is to establish the serial mediating effect of Firm Size (FSZ) and Dynamic Capability (DC) on the relationship between Leadership Style (LS) and Competitive Advantage (CA). The specific objectives were to assess the effect of Leadership Style and Dynamic Capabilities on Competitive Advantage, to establish the effect of Leadership Style on Firm Size, and to establish the mediating effect of Firm Size on the relationship between Leadership Style and Competitive Advantage. The study was guided by; the Resource Based View, Porter's Generic Strategy of Competitive Advantage, Five Forces of Competitive Position and Capability Based View Theories. A positivism paradigm and explanatory research design were used. A sample size of 400 out of 795 manufacturing firms registered by Kenya Association of Manufacturers (KAM) and operating in Nairobi County, Kenya was obtained using Yamane's formula. Data was collected using a close-ended questionnaire and analyzed using descriptive statistics including mean, standard deviations and inferential that is correlation and Hierarchical Regression analysis. Further, Hayes Model 6 was used to test the mediations and mediation hypotheses: The results showed that LS (β=.419 and LLCI = .323, ULCI = .516), FSZ (β=.23 and LLC I = .138, ULCI = .330) significantly influenced CA. Additionally, LS (β=.635 and LLCI = .554, ULCI = .716) has a significant effect on FSZ. The results further showed that FSZ mediated the relationship between LS and CA (β=.148, Boot LLCL =. 073 and Boot ULCI= .218). In conclusion, the study established that Firm Size mediated the relationship between Leadership and Competitive Advantage. The findings clarify the alignment of Firm Size with CA for manufacturing firms in Kenya. Therefore, managers should be cognizant of the size of the firm which influences the abilities of the firms to attain Competitive Advantage.*

KEYWORDS: Firm Size, Leadership, Competitive Advantage.

BACKGROUND OF THE STUDY.

Since ancient times, competitive advantage has been viewed as the result of a company's strategic use of business advantages in products, processes, ideas, and/or technology to maintain market excellence and uniqueness (Campbell-Hunt, 2000). It is therefore, the company's ability to outperform its competitors (Russell & Millar, 2014). Competitive advantage lies in the ability of businesses to learn, innovate, change and act effectively to remain competitive by developing products or new business methods to gain a competitive advantage (Ervin & Smith, 2008; Ray, 2019).

Donate and Guadamillas (2011) state that companies that focus on quality and innovation as a process of developing competitive advantage can achieve their goals through leaders. These are leaders who can influence others through cultural change in terms of cognitive support, effective work, emotional support, and self-concept creating positive outcomes (Semuel & Siagian, 2015).

Previous studies from a global and regional perspective acknowledge leadership as a concept that has gained an increase in importance throughout the past decades hence, received significant attention in academic research (Rono, Korir & Komen, 2021). However, the most important factors that play a role in ensuring the effectiveness of competition, is the creation of ideas and implementation of policies.

Nonetheless, today's companies strive to expand their reach, in order to give competitors a competitive advantage by lowering production costs and increasing market share. This said, company size is considered an important factor in the success of any business. The size of an organization is very important in today's world because of the tendency of economies of scale. Larger companies, unlike smaller companies, can produce products at much lower costs. Companies have always aimed for multiple sizes to gain an advantage over their competitors.

Therefore, firm size is the scope of a firm's production capacity and potential, or the amount and range of services a firm provides. It is believed that companies undergo a process, which makes them stronger for competitive advantage in the end. This is done by integrating new ideas into the company, such as capabilities, technology, and customer feedback, and then modifying and innovating existing assets in the company to respond to the rapidly changing environment as identified by previous researchers; Reuter, Brambring, Weirich, and Kleines (2016). These routine processes are termed as dynamic capabilities. They enable firms to change themselves and improve upon traditional capabilities to withstand competition.

Research studies conducted in the recent past, indicated that dynamic capabilities are the fundamental source of a firm's competitive advantage, (Hou & Chien, 2010). Notably, they examined the direct effect of dynamic capabilities and competitive advantage of the firm; (Leah, Michael, & Joyce, 2021; Leah Chemely Rono, Korir, & Komen, 2020) and a few moderated the effect of dynamic capabilities and competitive advantage.

Attention in the studies placed dynamic capabilities at the forefront. which may have been triggered by the assertion of Hou and Chien (2010). The claims that dynamic capabilities are the ultimate source of the firms' competitive advantage by (Lin & Wu, 2014) prompted this current study to dig further. However, firms cannot gain competitive advantage in the dynamic environment based on Dynamic capabilities alone.

Statement of the Problem

Manufacturing is a sector among Kenya's Presidential Flagship of the Big 4 Agenda. However, previous studies' findings indicate that some of these manufacturing firms are struggling to attain a competitive cutting edge against competitors. Probably, a rapidly changing market environment and unsupportive legal and regulatory frameworks may 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 leadership is a key primary agent that formulates and implements organizations' policies and business frameworks. Manufacturing firms require top leadership that can influence, stimulate, and inspire or transform employees to go beyond achieving ordinary strategic capabilities since top leadership are fundamentals and action focal points for the company's vision (Leah et al., 2021).

This may be through the integration of new and existing strategic assets within the firm and then transforming and reconfiguring them to address the rapidly changing environment. Considering the size of the firm Vis a Vis firms' production. Small firms have limited internal resources compared to larger firms. However, previous research findings show that small firms tend to have a strong advantage in terms of products and technology, although they are weaker than large firms (Moen, 1999).

Previous studies done across the globe have given little focus on the serial mediation of this study's variables (Hou & Chien, 2010; Lin & Wu, 2014) with a few paying much attention to firm performance. Acknowledging those carried out in the Kenyan context, most bypassed linking the firm size and Dynamic Capabilities as mediator variables between Leadership and Competitive Advantage. Additionally, their findings leaned towards maximizing dynamic capabilities (Leah et al., 2021; Rono et al., 2020).

However, firms cannot gain a competitive advantage in a dynamic environment based on dynamic capabilities alone but are dependent on other environmental factors (Fainshmidt, Wenger, Pezeshkan & Mallon, 2019). This study established the link between Leadership, Firm Size, Dynamic Capabilities, and Competitive Advantage as explained in the next sections.

LITERATURE REVIEW

The Concept of Competitive Advantage

Competitive advantage is what leads a firm to position itself in a market segment and withstand rivalry forces, new market entrants, and outperform competitors (Barney & Clark, 2007; Agustiana & Budiastuti, 2020). Hence, achieving competitive advantage helps the firm to dictate the price in its operating sector while maintaining a leadership position within the industry as identified by Obeidat (2021) and Pinto (2013). This study contextualized the concept of Competitive Advantage of manufacturing firms and the contributory factors that link the concept to the firm.

The Concept of Leadership

Leadership is a process in which a supervisor or a manager effectively coordinates and manages subordinates' actions with concerns to business goals or objectives. It is the ability of an individual (termed as a leader) to influence, motivate, and inspire a group of people (followers) to contribute towards the achievement of a set objective. This study's definition, however, considers that the concept of leadership is a broad spectrum, the context may vary based on different perspectives and fields of study. Scholars have mentioned different leadership styles; transformational, transactional, and laissez-faire leadership; a transactional leader motivates subordinates to perform as expected and rewards others in exchange for satisfactorily carrying the assignment while a transformational leader typically inspires followers to do more than originally expected (Lee, 2014).

Contrary, laissez-faire leadership attributes to leaders with an attitude of trust and reliance on their subordinates. These leaders do not micromanage or get too involved, they do not give too much instruction or guidance but allow their followers to have the autonomy to make their own decisions, manage their desks, and work independently. This is achieved by taking a hands-off approach and giving others the freedom (Avolio & Bass, 1995).

According to Bass, Avolio, Jung and Berson (2003), transformational leadership is a conscious, moral, and spiritual process that provides development patterns for the organization through reliable equal-power leadership. 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).

Firm Size

Arguments by scholars that large firms have advantages over small firms still exist. They presume that large firms take advantage of their size and can have easier and cheaper access to sovereign debt markets to meet their financing needs (Muange & Ng'etich, 2020). They are perceived to have a lower default risk, borrow more at fewer costs due to their size, and hence benefit from a tax shelter as stated by Muange and Ng'etich (2020).

However, the fact that large companies are more versatile, have more market power and better technology has a significant impact on the company's competitiveness (Floros, Voulgaris, & Lemonakis, 2014). Therefore, the size of the organization plays an important role in determining the type of partnership a company enjoys inside and outside its operating environment. The bigger the company, the bigger its impact on the stakeholders, and the business environment (Muange & Ng'etich, 2020). According to the neoclassical view of the firm, firm size is the most important factor in research in evaluating firm competitiveness due to economies of scale.

The Concept of Dynamic Capabilities

According to Nyachanchu, Chepkwony, and Bonuke (2017), dynamic capabilities represent a class of higher-order capabilities that influence the rate at which a firm can respond to environmental changes and support in the achievement of competitive advantage. It is further indicated that they refer to the repeatable, choices and routines that provide capacity for a firm to purposefully create, extend, or modify its resources. These include sensing capabilities, seizing capabilities, and reconfiguration capabilities (Teece, 2014).

1. Seizing capability: When opportunities are sensed, they then need to be seized and their value and potential have to be recognized. Seizing capability means selecting the 'right' technology or recognizing the target customers.

2. Reconfiguring capability: When opportunities are sensed and seized, then they need to be reconfigured.

3. Reconfiguring capability means the ability to recombine and reconfigure the resource base to address changes and opportunities in the firm (MacInerney-May, 2012).

EMPERICAL LITERATURE

Leadership and Competitive Advantage

Bass et al. (2003) argue that leaders are pertinent, especially during turbulent times. Leadership theories rest on the tenet that certain leaders enhance commitment to a well-articulated vision and inspire followers to develop new ways of thinking about problems and raise awareness amongst subordinates enabling employees to transcend their self-interest. Previous studies, Leah et al. (2021), indicated that leadership increases levels of competitive advantage. However, the current study analyzed the serial mediation effect of firm size and Dynamic Capabilities on the relationship between Leadership (independent variable) and Competitive Advantage (dependent variable) and the relationship was significantly positive.

Dynamic Capabilities and Competitive Advantage

As this study tries to hypothetically signify the direct effect of Dynamic Capabilities on Competitive Advantage, it is mindful of studies by previous scholars that disclosed that Dynamic capabilities lead to competitive advantage. This study's argument conforms with Easterby-Smith, Lyles and Peteraf (2009), that dynamic capabilities influence the rate at which a firm can respond to environmental changes though it has to be a repeatable, patterned choice and routine to provide the capacity for a firm to purposefully create, extend, or modify its resource base as also argued by Helfat et al. (2009). As such, the way firms will respond will make them more flexible, and more easily and swiftly adapt to market trends and effectively tackle market volatility, and eventually achieve competitive advantage.

Arguably, the firms' resources and external environmental conditions can be reconfigured to replace existing resources and have a positive effect of dynamic capabilities on competitive advantage. Additionally, firms have to identify as well as seize the opportunities emerging in the market (Hofer, Niehoff & Wuehrer, 2015; Tseng & Lee, 2014) and identify, acquire, and apply external knowledge in its favor (Cohen & Levinthal, 1990; Helfat et al., 2009; Hou & Chien, 2010). In this respect, by constantly translating this knowledge into new products and processes (Kaur & Mehta, 2016; Manuj, Omar & Yazdanparast, 2013). What this means is the integration of external information into the knowledge base of the firm (Tseng & Lee, 2014), and by doing so, use the same knowledge and ability to introduce new products and services or to enter markets, by aligning strategic orientation with organizational processes.

Other scholars, however, have argued the contrary that, dynamic capabilities may prove less effective in highly dynamic environments (Eisenhardt & Martin, 2000; Schreyögg & Kliesch-

Eberl, 2007), but some propose that the dynamism of a firm's environment may enhance the efficacy of dynamic capabilities and their potential for competitive advantage (Nevich & Kriaučiūnas, 2011).

Leadership, Firm Size, and Competitive Advantage

Empirical studies and meta-analyses have found positive relationships between leadership and a range of outcome measures. Good leadership reduces causal ambiguity, influences followers to achieve goals and exhibits behaviors such as inspirational motivation and intellectual stimulation.

Research demonstrates that a company's size relates to a greater or lesser tendency to innovate. Some scholars established that an increase in the organization's size implies more resources and greater innovation potential, while other scholars argued that small organizations can be more innovative because they are more flexible, have a greater ability to adapt, and are less difficult in accepting and implementing changes and events (Smallbone, Deakins, Battisti & Kitching, 2012). Since previous studies dwelled their investigations on firm performance, this current study adds that the categories of firms attribute to the firms' competitive advantage.

Leadership, Dynamic Capabilities, and Competitive Advantage

Leadership is acknowledged for its compelling and clear vision; institutionalization of organizational change, increasing followers' awareness of what is right and important; and motivating them to perform beyond expectation (Nyachanchu et al., 2017). Leadership is, therefore, a critical factor that a firm should consider to successfully adapt to changes in the environment (Saowalux & Peng, 2007), to attain a competitive advantage. In this regard, leadership is vital for a company/firm because it is the backbone of every organization (Bass et al., 2003) and induces the understanding that leadership plays the main role for an organization in gaining a competitive advantage leading to an organization's success in the market (Oliveira, 2018), since the main source for potential competition is competitive advantage. Additionally, leadership style plays a role in the complex and intangible net of relationships in a firm, which is difficult for outsiders to immediately observe and imitate (Panagopoulos & Avlonitis, 2010).

This said, arguments from past research emerge, that leadership plays an important role in developing organizational dynamic capabilities (Xu & Wang, 2018). Therefore, the role of top leadership is assumed critical for developing dynamic capabilities in these organizations (Lopez-Cabrales, Bornay-Barrachina & Diaz-Fernandez, 2017). In the sense that CEOs' actions and decisions create organizational contexts, influence middle manager responses and impact on the firms (Collin, Gustafsson, Petersson & Smith, 2014).

The Size of the Firm, Dynamic Capabilities and Competitive Advantage

The study considered separating the direct and mediated effect of dynamic capabilities and competitive advantage as posited by Sakakibara, Flynn, Schroeder and Morris (1997). This was by giving additional variables that necessitated the study to obtain other necessary information.

It was argued that small firms have more limited internal resources compared to larger firms and therefore, require fewer resources to prepare for disruptive events (Reynolds, Storey & Westhead, 1994; Smallbone et al., 2012), and more often, small firms rely on local and/or niche

markets being highly dependent on a limited number of key customers as well as suppliers who are often small firms themselves. On the other hand, larger firms however, have a higher propensity to prepare for disasters as they have more resources available in terms of dedicated staff as well as finances). Following these arguments, this study sought to confirm that the firm's size influences an organization's innovative activity hence measuring the firm size control variable by the number of employees in the firm. Since a wide dispersion is expected, the study adopted the use of a Napierian logarithm to estimate the number of workers in the department to avoid the scale effect (Webb, Tierney & Dahlhamer, 2000).

RESEARCH METHODOLOGY

Research Designs: This study sought to establish, the variable relationship using regression analysis to obtain inferential statistics and used the results to test the research hypotheses to connect to the objectives of the study as explained by previous scholars (Saunders, Lewis & Thornhill, 2007). This study embarked on explanatory research design. This method was best suited because the researcher was able to collect data once at one point in time and it was consistent with the positivist research philosophy that allowed the researcher and her team to make inferences about the population of interest. The study mainly proposed to understand why things happened the way they did to build, extend, elaborate, and test the study theories (Neuman, 2014; Neuman & Robson, 2014). However, it adopted a quantitative approach through explanatory research design to establish a causal relationship between variables (Saunders et al., 2007).

This was done specifically to enable the researcher to combine relevance to the research purpose with the procedure as stated by Zikmund, Babin, Carr and Griffin (2013). Majorly, the design was used to answer questions about the causal relationship between variables whereby, the researcher sought reasons and causes and provided evidence to support or refute explanations or predictions as explained by Simiyu, Bonuke and Komen (2020) and Simiyu, Komen and Bonuke (2019). The researcher equated the firms' competitive advantage as a reality phenomenon, which 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; Leadership (LS) as an independent Variable (IV), Firm Size (FSZ) as the 1st mediator (M1), Dynamic Capabilities (DC) as the 2nd mediator (M2) and Competitive Advantage (CA) as the dependent Variable (DV).

Data Type and Source: The main data of this study was primary data collected direct from respondents. 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 as a source of the study's primary data.

Methods and Tools for Data Collection: 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 Babbie and Benaquisto (2009), Coltman (2007), Nyachanchu et al. (2017) and Saunders et al. (2007).

Dividing it into five sections, which were categorized as follows; Part A, Demographic Profile of Manufacturing Firms characterized by firm age that covered the number of years the company has been in operation. Section B examined the structure of the independent variable Leadership (LS). Part C examined the first mediator, firm size (FSZ), and part D, the second mediator, dynamic capabilities of the firms (DC). The last part E looked at the structure of competitive advantage of manufacturing companies. The scale was rated on a five (5) point Likert scale numbered as follows; 1- Disagree (SD), 2- Disagree (D), 3- Neither agree nor disagree (N), 4- Agree (A) and finally 5- Strongly agree (SA) which was adopted from Leah et al. (2021).

Model and Conceptual Framework: The study used hierarchical regression to test the influence of the control variable and direct effect to determine how much any additional variable in the model contributes to the variance in the dependent variable, competitive advantage.

The model took the following statistical equations:

$Y = \beta_0 + \beta_1 \text{Firm Age} + \beta_3 \text{Firm size} + \mathcal{E}$ (This helped the researcher to understand the individual effect of the control variables on competitive advantage and the amount of variance they account for in terms of R^2).

The second equation; $Y = \beta_0 + C + \beta_1 X + \mathcal{E}$. This was used to assess the influence of the independent variable, Leadership (X) on the dependent variable, (Competitive Advantage-Y) as the control variables (C) were held constant. The additional amount of variance (R^2) in explaining Competitive Advantage was explained by this variable (LS) in the model. $Y = \beta_0 + C + \beta_1 X + \beta_2 M_1 + \mathcal{E}$ to establish the impact of the Firm Size (M1) on Competitive Advantage (Y) as controls (C) and independent variable (X). The additional variance (R^2) in this model was the variance explained by the first mediator (FSZ) terms of change in R-square (ΔR^2). To test the influence of the Dynamic Capabilities (M2) on Competitive Advantage (Y) while controlling for control variables (C), leadership (X) and the first mediator FSZ (M1). The study used the equation; $Y = \beta_0 + C + \beta_1 X + \beta_2 M1 + \beta_3 M2 + \mathcal{E}$. The additional variance in terms ΔR^2 was the contribution of the second mediator in explaining competitive advantage (Y).

Mediation Effect Model; LS (X) must significantly affect the first mediator, FSZ (M1). This is represented by path a_1 of figure 1. The study used the equation, $M = a_0 + C + a_1 X + \mathcal{E}$ and the results were as follows: FSZ (M1) significantly affects Competitive Advantage (Y). The equation for testing this condition was $Y = b_0 + C + b_1 M1 + \mathcal{E}$. This involved determining the influence of LS (X) on the outcome variable Competitive Advantage (Y) in the presence of FSZ (M1) and Dynamic Capabilities (M2). The equation took the form of; $Y = C'_0 + C + b_1 M1 + b_2 M2 + C'X + \mathcal{E}$. To test for the 1st Mediation, hypothesis the coefficients of path $= a_1 \times b_1$.

To determine if mediation has taken place both confidence intervals (Upper limit and Lower limit) had none zeros. Testing the mediating effect of Dynamic Capabilities (M2) on the link between LS (X) and Competitive Advantage (Y), the product of coefficients of $a_2 \times b_2$ of figure 1 was used. To confirm that mediation has taken place both the lower limit and upper limit confidence intervals had none zeros. Finally, to test for mediated mediation hypothesis all paths a_1, d_1 and b_2 must be significant. If the three paths are significant, then the mediated mediation is achieved by multiplying the coefficients of $a_1 \times d_1 \times b_2$. The significance levels were also confirmed by both confidence intervals having no zeros.
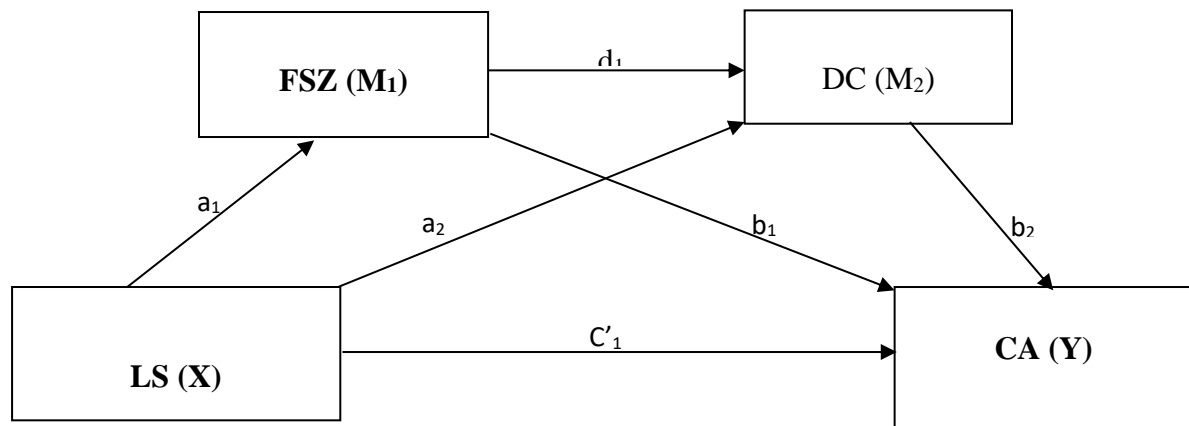
Figure 1: Statistical Diagram Model

Source: *Hayes (2018) Model 6; **Where;***

LS = Leadership Style, CA = Competitive Advantage, FSZ = Firm Size, DC = Dynamic Capabilities, Direct effect of X on Y = C', Indirect effect of X on Y through $M_1 = a_1b_1$, Indirect effect of X on Y through $M_2 = a_2b_2$, Indirect effect of X on Y through M1 and $M_2 = a_1d_1b_2$

a_1, a_2, $\beta_{1,2}$, C'$_1$ are the parameters associated with the corresponding dependent variable that were estimated β_0 is the intercept and ε is the error term.

RESEARCH RESULTS/ FINDINGS

Firm's Age

The study established the period the firms have been in existence and revealed that most firms (283) have been in operation for more than 20 years, representing 73%, while the remaining 85 firms (23%) have been in operation for less than 20 years. Firm age is important in this study based on the prior discussion that firms tend to discover what and how they can perform better than others as time goes by, which is vital for dynamic capability and competitive advantage.

Firm's Size

The firm size was measured by the number of employees. Firm categories differ in terms of performance and competitive advantage, as small firms have limited internal resources compared to larger firms. Results of this study indicate that the majority of firms (n= 326, 89%) were large firms with more than 500 employees, while only 39 (11%) were small size, with less than 50 employees.

Table 1: Demographic Information of the Firms

Variable		Frequency	Percentage %
Firm age	Below 15 Years	22	6.0
	16-20 Years	61	16.7
	21-26 years	89	24.4
	Above 26 years	193	52.9
Total		**365**	**100**
Firm size	Below 50 Employees	39	10.7
	51- 100 Employees	203	55.6
	101-500 Employees	101	27.7
	501-1000 Employees	20	5.5
	Above1001Employees	2	0.5
Total		**365**	**100**

Source: *Research Data (2024).*

Correlation Analysis

A correlation analysis was carried out to ascertain the relationship between the dependent variable and the independent variables of the study and the results indicate that there is a positive and significant correlation between all the study variables. Thus with leadership having the strongest relationship ($r = 0.677$, $p<.01$), followed by Fsz($r = 0.609$, $p<.01$), dynamic capabilities had the least positive and significant relationship with competitive advantage ($r = 0.559$, $p<.01$).

These findings also indicate that there is no multicollinearity in the data since all correlation scores are less than 0.8 as suggested by several researchers.

Name of Variables	1	2	3	4
Competitive Advantage	1			
Leadership Style	.677**	1		
Firm Size	.609**	.634**	1	
Dynamic Capabilities	.559**	.558**	.555**	1

Table 2: Results for Correlation Analysis

Source: *Research Data (2023) **. Correlation is significant at the 0.01 level (2-tailed)*

The Influence of Dynamic Capabilities on a Firm's Competitive Advantage

The study sought to examine the influence of a firm's dynamic capabilities on its competitive advantage. However, findings show leadership ($\beta = 0.419$, $p = 0.000$) and Firm Size ($\beta = 0.234$, $p = 0.000$) were both significant. Most importantly, the study findings reveal that a firm's dynamic capabilities positively and significantly influence competitive advantage as indicated by $\beta = 0.185$, $p = 0.000$. Findings of this model also reveal an increased R^2 of 0.541, with

change in R^2 0.021, which was significant with F = 16.555, at p = 0.000. This implies that a firm's dynamic capabilities account for 2.1% of the variance in competitive advantage.

Influence of Leadership on a Firm's Dynamic Capabilities

The control variable firm age was included in the analysis. Results show that firm age (β = -0.077, p = 0.084) was found to be insignificant in this model. The outcome of the test further reveals that leadership positively influences a firm's dynamic capabilities as shown by β = 0.336, p = 0.000. This model shows an R^2 = 0.385, with significant F-value of 56.375, p = 0.000. This means that about 38.5% of the variance in the dynamic capabilities is explained by all the variables in this model.

Variables	Model 1 (Firm Size)		Model 2 (DCapabilities)		Model 3 (CAdvantage)	
	β	*p-v*	β	*p-v*	B	*p-v*
Constant	-.126	.647	.321	.251	.090	.709
Firm Age	-.003	.953	-.077	.084	-.051	.191
Firm size	-	-	.334	.000	.234	.000
LeardSty	.635***	.000	.336***	.000	.419***	.000
DCapab	-	-	-	-	.185***	.000
R^2	.404		.385		.541	
F	81.622***		56.375***		84.729***	

Mediation	Effects	EFFECT	SE	LLCI	ULCI
Indirect 1	$H_{01} = a_1 \times b_1 = LS \cdot FSZ \cdot CA$ **.635 × .234 = .149**	.149	.037	.073	.218
Indirect 2	$H_{02} = a_2 \times b_2 = LS \cdot DCap \cdot CA$ **.336 × .185 = 062**	.062	.021	.025	.108
Indirect 3	$H_{03} = a_1 \times d_1 \times b_2 = LS \cdot FSZ \cdot DCap \cdot CA$ **.635× .334 ×.185 = .039**	.039	.016	.014	.077
Total Indirect Effects = .149 + .062 + .039 **= .250**		.250	.044	.166	.341
Total Effects = Direct Effect + Indirect Effect = 0.419 + 0.250= **0.669**					

Note: ***p <.001, LS=Leadership Style, FS = Firm Size, DCap = Dynamic Capabilities, CA = Competitive Advantage

Table 3: Leadership Style, Firm Size, Dynamic Capabilities (Mediation)

The Effect of Control Variable on the Study's Variables

This study's control variable, firm age, had no significant effect on the study's dependent variable, the firm's competitive advantage.

Influence of Leadership on Competitive Advantage

The first objective of this study was to assess the effect of leadership style on the competitive advantage with predictions that leadership style has no significant direct effect on the competitive advantage. Notably, the study's findings indicate that leadership style positively and significantly influences competitive advantage as revealed by(β = 0.419, p = 0.000)

Nonetheless, the results indicated that there is a positive and significant correlation between all. Though in comparison, it is evidently noted that the study's results showed leadership style having the strongest relationship of (r = 0.677, p<.01), followed by Firm Size (r = 0.609, p<.01), whereas dynamic capabilities had the least positive and significant relationship with competitive advantage (r = 0.559, p<.01).

DISCUSSION

The study's findings indicate that leadership (H_{01}, β=.669, p=.000), firm size (H_{02}, β=.296, p=.000) and dynamic capabilities (H_{03}, β=.199, p=.000) positively and significantly influence competitive advantage. Leadership was found to have a positive and significant impact on Firm size (H_{01}, β=.614, p=.000). The mediating effect of Firm Size on the relationship between leadership and competitive advantage results revealed that the Firm Size mediates the relationship between predictor and outcome variables (H_{02}, β=.149, LLCI=.073, ULCI=.218). Additionally, leadership had a positive and significant relationship with dynamic capabilities (H_{03}, β=.336, P=.000). In addition, the study also examined the mediating effect of dynamic capabilities on the relationship between the leadership and competitive advantages and results showed that dynamic capabilities mediate this relationship (H_{04}, β=.062, LLCI=.025, ULCI=.108).

Therefore, under stable magnificent environments firms can achieve a competitive advantage. This study contravenes suggestions by Fainshmidt et al. (2019) on a study that was done on Israeli firms whose findings indicated that Dynamic Capabilities domains did not seem to lead to a Competitive Advantage. However, this study concludes that Dynamic Capabilities are dependent on other factors like the size of the firm to increase the influence on competitive advantage of manufacturing firms.

IMPLICATION TO THEORY

This study applauds previous work from scholars and adds that the use of a single theory or two theories may be susceptible to other environmental factors that may skew or limit the understanding of a firm's competitive advantage. Therefore, this study presents a multi-theoretical model that tends to express the competitive advantage of manufacturing firms.

First, the study brings insights into the relevance of Michael Porter's five forces of competitive positioning theory as a simple way of analyzing the competitive strength of a firm. This theory advocates for continuous scanning of the business environment on the existing competitive rivalry between firms; the theory posits that scanning the number and size of existing firms in the market segment can help the firm to develop a differentiation strategy for its product range and new entrant strategy position itself.. Additionally to scan the geographical factors threat of new market entrants; the bargaining power of buyers; and the threat of substitute products considers how easily the customers of the firm can switch to competitor's products and the likelihood of losing the firm's market grip and finally the bargaining power of suppliers in terms the brand reputation and product/quality.

Theoretically, the mediation effect provides new knowledge that firm size and dynamic capabilities mediate the relationship between leadership and competitive advantage. Hence, these findings contribute to the theory and literature on the study variables and their interrelationships, which influence the competitive advantage of not only manufacturing firms but also other industries in a developing country in the Kenyan context.

Additionally, findings of the mediating effect extend the views put forth by Teece et al. (2016) and Teece (2014) in the dynamic capability theory.

IMPLICATION TO MANAGEMENT PRACTICE

This study's findings confirm that for a firm to be propelled to achieve a competitive advantage while harnessing the dynamic capabilities, it must adopt a leadership style that is suitable for a firm of its size. The researcher recommends that firms should assess which leadership style best suits the firm of that size and continually evaluate whether it is effective for it. The management should benchmark from other firms of its stature and align the firm's processes in a way that best suits it.

Firm's management must not only develop dynamic capabilities as a key component of competitive edge, but must integrate new and existing knowledge, and reconfigure internal and external competencies intertwined with a strongly aligned and flexible high work performance to help them reconfigure existing core capabilities into new ones that better match the market segment thus, outperforming competitors.

For the management of these firms to gain a competitive edge, they should consider producing products distinct from all other brands. They need to protect the name and image of the firms by producing quality products that meet the consumers' needs and wants. For these firms to achieve a competitive advantage, the management should develop a culture of continuous training and development of employees' careers so that they can deliver the best to the firm's potential customers.

Research demonstrates that a company's size relates to a greater or lesser tendency to innovate. Some scholars established that an increase in the organization's size implies more resources and greater innovation potential, while other scholars argued that small organizations can be more innovative because they are more flexible, have a greater ability to adapt, and are less difficult in accepting and implementing changes and events (Smallbone, Deakins, Battisti & Kitching, 2012). Since previous studies dwelled their investigations on firm performance, this current study adds that the categories of firms attribute to the firms' competitive advantage.

CONCLUSION OF THE STUDY

Manufacturing firms in Kenya must not only develop dynamic capabilities as a key component of competitive edge but must align the firms' according to their sizes to help managers reconfigure existing core capabilities into new ones that better match the market segment to help them achieve their competitive advantage. The study established that Firm Size and

Dynamic Capabilities mediated the relationship between Leadership style and Competitive Advantage.

This study suggests that when the firm has top leadership who are transformational, they will encourage employees to work as a team, champion them to increase their ability to complete tasks given that employees have different abilities and aspirations thus, give room for improvement. Further, this leadership will identify employee's different needs and fill the gaps by allocating staff time for guidance and training through participatory or employee involvement in making good decisions in regard to encouraging them to attain the organization's goal.

The study's findings revealed that most respondents agreed to the study research questions. This led to this current study suggesting that when the firm's management allows employees to attend business forums regularly, they acquit to changing trends within the firm's operational environment, as they also learn new market/customer needs and enable the firm to quickly relate to the new knowledge acquired from outside. Additionally, employees have the capability to produce ideal and useful ideas for the firm and these may include increasing the firm's capability of turning new technological knowledge into process and product innovation effectively hence, connecting with the existing and combining them in new ways to achieve a competitive advantage.

AREAS FOR FURTHER RESEARCH

This study highlighted the key role played by firms' size and dynamic capabilities in mediating the relationship between the top-level firms' leadership and competitive advantage in manufacturing firms in Kenya. Distinctively, the study found that dynamic capabilities as a standalone variable could not significantly influence a firm's competitive advantage. These findings contradict various studies by scholars of higher echelons in the field of strategic management. In this regard, this study welcomes further research to validate these findings in the context of developing countries across the globe with scarce studies similar to this current study.

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