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Regulatory Environment as a Selective Moderator of the Organizational Learning–Competitive Advantage Relationship: Evidence from Firms Listed on the Nairobi Securities Exchange, Kenya

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ABSTRACT

This study examined whether the regulatory environment moderates the relationships between organizational learning, strategic partnerships, and competitive advantage among firms listed on the Nairobi Securities Exchange (NSE), Kenya. The study responds to a gap in research that has often treated regulation as a direct predictor or examined its moderating role within specific industries and environmental-management settings. A positivist, cross-sectional quantitative design was used. The target population comprised 473 top-management executives from 64 actively trading NSE-listed firms across 13 sectors. The study targeted 83 executives, of whom 79 provided usable responses, representing a 95.2% response rate. Hierarchical regression was used as the principal test of moderation because the available AMOS interaction model was inadequately specified and demonstrated very poor global fit. Model 1, containing Strategic Partnerships and Regulatory Environment, explained 84.6% of the variance in Competitive Advantage, $R^2 = .846$, $F(2, 76) = 208.665$, $p < .001$. Adding the Organizational Learning × Regulatory Environment and Strategic Partnerships × Regulatory Environment interactions increased explained variance to $R^2 = .862$, with a significant change of $\Delta R^2 = .016$, $\Delta F(2, 74) = 4.232$, $p = .018$. The Organizational Learning × Regulatory Environment interaction was positive and statistically significant ($B = .116$, $SE = .044$, $\beta = .747$, $t = 2.605$, $p = .011$), whereas the Strategic Partnerships × Regulatory Environment interaction was not statistically significant ($B = −.051$, $SE = .048$, $\beta = −.346$, $t = −1.058$, $p = .293$). The findings therefore support partial or selective moderation: regulatory conditions alter the relationship between organizational learning and competitive advantage, but the study does not establish a corresponding moderation of the strategic-partnership relationship. The article contributes evidence from a multi-sector emerging capital market and demonstrates that regulatory context may operate as a capability-specific boundary condition rather than a uniform moderator.

1. INTRODUCTION

Competitive advantage is shaped not only by the capabilities that firms possess but also by the institutional conditions within which those capabilities are deployed. In highly regulated markets, firms must interpret formal rules, comply with statutory requirements, respond to regulatory change, and coordinate strategic activities with institutional expectations. Regulatory conditions can therefore influence the strategic room available to firms and the extent to which organizational capabilities are translated into market outcomes. The present study treats the regulatory environment as both a direct contextual factor and a potential boundary condition that may alter relationships between strategic capabilities and competitive advantage.

Organizational learning is particularly relevant to this argument because learning involves acquiring, sharing, interpreting, and applying knowledge. Firms that learn effectively may identify changes in markets and technologies, revise routines, and adapt strategic decisions. However, learning does not occur in an institutional vacuum. The usefulness of newly acquired knowledge may depend on whether firms can implement it within prevailing regulatory requirements. Contingency Theory therefore suggests that the performance implications of an internal capability may vary according to the external environment in which that capability is deployed (Donaldson, 2001).

Strategic partnerships provide a second pathway to competitive advantage. Partnerships enable firms to access complementary technologies, expertise, markets, financial resources, and knowledge beyond their organizational boundaries (Zahoor et al., 2024). Yet partnerships are governed by contractual, institutional, and relational arrangements. Regulatory requirements may affect the formation and operation of partnerships, but it is not necessarily the case that regulatory conditions alter the strength of the partnership–competitive advantage relationship in the same way that they affect an internal learning capability.

Prior studies provide evidence that regulatory conditions can function as boundary variables. Khan et al. (2019) examined the moderating role of the regulatory environment in the relationship between strategic human-resource management and organizational competitiveness among SMEs in Pakistan. Mulaessa and Lin (2021) showed that environmental regulations

can condition the relationship between proactive environmental strategies and green innovation. Handoyo and Anas (2024) examined regulatory quality and government effectiveness as contextual conditions in the relationship between corporate ESG practices and firm performance across ASEAN. Tyler et al. (2024) similarly examined regulatory pressure in relation to environmental-practice adoption in SMEs. However, much of this literature is concentrated on SMEs, environmental practices, manufacturing, or specific organizational functions.

The NSE provides a distinctive setting for examining the issue. Listed firms operate across multiple sectors and are exposed to formal capital-market regulation, sector-specific requirements, investor expectations, governance rules, and competitive pressures. The present article therefore addresses a moderation and population gap by testing whether Regulatory Environment changes the relationship between Organizational Learning and Competitive Advantage and whether it similarly changes the Strategic Partnerships–Competitive Advantage relationship. Importantly, the study does not assume that a moderator must affect every relationship in the same direction or magnitude; the empirical question is whether the interaction terms contribute statistically significant explanatory power.

2. LITERATURE REVIEW AND THEORETICAL FOUNDATION

2.1 Regulatory Environment as a Boundary Condition

The regulatory environment includes the formal laws, policies, compliance requirements, legal protections, government support mechanisms, and enforcement arrangements within which firms operate. A predictable regulatory environment can reduce uncertainty and help firms anticipate the requirements associated with investment, innovation, market participation, and inter-organizational relationships. Conversely, unclear or changing requirements may increase adjustment costs and complicate strategic planning. Regulatory conditions may therefore be enabling, constraining, or both, depending on how firms and institutions interact.

The literature reviewed in the thesis indicates that regulatory conditions have been examined through several related lenses. Macharia (2021) reported a significant relationship between government laws and regulations and competitiveness in Kenyan telecommunications firms. Gong et al. (2020) demonstrated that the relationship between environmental regulation and industrial transformation can depend on regulatory intensity. Wang et al. (2018) found that state influence and regulatory pressure shape corporate environmental actions among publicly listed Chinese firms. These studies support the relevance of regulation but also indicate that its effects are context-sensitive.

2.2 Organizational Learning, Regulation, and Competitive Advantage

Organizational learning can be interpreted as an internal capability that helps firms identify, absorb, disseminate, and apply knowledge. Pratono et al. (2019) linked inter-organizational learning with the achievement of sustainable competitive advantage, while Do and Mai (2022) synthesized evidence connecting organizational learning with firm performance. Zhang et al. (2023) demonstrated the importance of organizational learning in the relationship between open innovation and sustainable competitive advantage. These studies support the proposition that learning contributes to competitive outcomes, but they leave open the question of whether the external regulatory context changes the strength of this relationship.

Regulatory conditions can plausibly moderate the learning–advantage relationship because firms do not convert knowledge into action without constraints or opportunities. For example, knowledge about digital technologies, new products, market entry, data management, financial services, or sustainability may create competitive opportunities, but implementation may depend on regulatory approvals, compliance requirements, consumer protection rules, industry standards, or legal safeguards. A regulatory environment that provides clarity and predictable enforcement may therefore make it easier for firms to translate learning into strategic action. The present study tests this proposition empirically rather than assuming the mechanism.

2.3 Strategic Partnerships, Regulation, and Competitive Advantage

Strategic partnerships create value through access to complementary resources, joint innovation, market access, risk sharing, and relational knowledge. Zahoor et al. (2024) emphasize the ambidextrous nature of strategic alliances, while Bustinza et al. (2019) show that collaborative partnerships can support product-service innovation and performance. Oyombe et al. (2022) provide Kenyan evidence that strategic partnerships can contribute to competitive advantage in construction supply chains. These studies establish the strategic relevance of partnerships but do not establish whether regulatory conditions significantly alter the partnership–competitive advantage relationship among listed firms.

There are theoretical reasons to expect a moderating role, but there are also reasons for the effect to be weaker or absent. Regulatory requirements may influence contracts, approvals, data sharing, competition, ownership, and sector-specific partnership arrangements. However, once a partnership is

established, its competitive contribution may depend more directly on partner complementarity, trust, governance, resource integration, and transaction costs. Social Capital Theory emphasizes trust and reciprocal relationships, whereas Transaction Cost Economics emphasizes governance, uncertainty, opportunism, and coordination costs. These mechanisms may not necessarily vary in direct proportion to broad measures of the regulatory environment.

2.4 Theoretical Framework

Contingency Theory provides the principal theoretical lens. Its central proposition is that organizational effectiveness depends on fit between internal arrangements and environmental conditions rather than on a universally optimal strategy (Donaldson, 2001). In this study, Organizational Learning and Strategic Partnerships represent strategic mechanisms through which firms create value, while Regulatory Environment represents an external condition that may change the strength of those mechanisms. A significant interaction between a strategic capability and Regulatory Environment would therefore provide evidence that the value of the capability depends on contextual conditions.

Resource-Based View provides a complementary explanation for Organizational Learning. Learning can constitute an organizational capability that enables firms to renew knowledge, routines, and strategic resources. The external regulatory environment does not become a firm resource under RBV; instead, the theory helps explain why the value of internal capability may depend on how the firm deploys it. Teece (2022) similarly emphasizes dynamic capabilities and the ability of firms to reconfigure resources under changing conditions.

Institutional reasoning further explains why regulation can shape organizational action. Firms listed on the NSE operate within formal rules involving market regulation, governance, disclosure, sector requirements, and legal enforcement. Institutional pressures can influence what firms can do, how quickly they can implement changes, and how they structure strategic responses. Social Capital Theory and Transaction Cost Economics are particularly useful for understanding why Strategic Partnerships may show a different moderation pattern because alliance value can depend on relational trust, reciprocity, contractual safeguards, coordination, and transaction characteristics.

2.5 Hypotheses

The study tested a general null hypothesis concerning moderation: $H0_5$: Regulatory Environment does not significantly moderate the relationship between Organizational Learning, Strategic Partnerships, and Competitive Advantage of firms listed on the NSE. The empirical analysis also examined the two constituent interactions separately: Organizational Learning × Regulatory Environment and Strategic Partnerships × Regulatory Environment.

3. METHODOLOGY

3.1 Research Design and Participants

The study employed a positivist philosophy and descriptive-explanatory cross-sectional design. The target population comprised 473 top-management executives from 64 actively trading NSE-listed firms across 13 sectors. The sampling strategy used purposive selection of 39 firms based on data availability, operational stability, and relevance to the study variables, followed by simple random selection of 83 executives with proportional sectoral consideration. Seventy-nine usable responses were obtained, producing a 95.2% response rate.

3.2 Measures and Data Collection

A structured questionnaire using a five-point Likert scale was administered to senior managers and decision-makers. Organizational Learning captured knowledge acquisition, knowledge sharing, learning culture, and innovation/adaptability. Strategic Partnerships captured resource sharing, trust and commitment, market access, and risk reduction. Regulatory Environment was represented by regulatory clarity, compliance-related conditions, legal protection, and government support. Competitive Advantage captured market position, cost leadership, differentiation, and customer-related competitive outcomes.

The thesis assessed content and construct validity through expert review and confirmatory factor analysis. Reliability was examined using Cronbach's alpha and composite reliability. The study used regression analysis for the moderation test because the available AMOS moderation specification did not achieve acceptable global fit and did not correctly represent the intended exogenous predictor and interaction structure.

3.3 Hierarchical Moderation Model

Moderation was tested using hierarchical regression. Model 1 entered Strategic Partnerships and Regulatory Environment. Model 2 added the interaction terms Organizational Learning × Regulatory Environment and Strategic Partnerships × Regulatory Environment. The key test was whether the interaction block significantly increased explained variance and whether each interaction term was individually significant. The general moderation equation can be expressed as:

$$CA = \beta_0 + \beta_1 SP + \beta_2 RE + \beta_3 (OL \times RE) + \beta_4 (SP \times RE) + \varepsilon$$

A positive and statistically significant interaction was interpreted as evidence that the relationship

between the predictor and Competitive Advantage becomes stronger as Regulatory Environment increases. A non-significant interaction was interpreted as insufficient evidence that Regulatory Environment changes the relationship, regardless of the sign of the estimated coefficient.

4. RESULTS

4.1 Descriptive and Direct-Effect Context

The study's descriptive findings indicated relatively modest perceptions of several Regulatory Environment indicators. The overall evidence nevertheless showed a strong direct association between Regulatory Environment and Competitive Advantage in the simple regression model ($R = .916$, $R^2 = .839$, $F(1, 77) = 400.011$, $p < .001$; $\beta = .916$, $p < .001$). This direct relationship establishes the relevance of the regulatory context but does not itself establish moderation. Moderation requires evidence that the relationship between a predictor and the outcome changes as the level of the moderator varies.

4.2 Hierarchical Regression Results

Table 1. Hierarchical regression models testing Regulatory Environment moderation

Model	R	R^2	Adjusted R^2	ΔR^2	ΔF	df	p
1	.920	.846	.842	.846	208.665	2, 76	< .001
2	.928	.862	.854	.016	4.232	2, 74	.018

Model 1 explained 84.6% of the observed variance in Competitive Advantage and was statistically significant, $F(2, 76) = 208.665$, $p < .001$. The introduction of the two interaction terms in Model 2 increased R^2 from .846 to .862, corresponding to $\Delta R^2 = .016$. The change was statistically significant, $\Delta F(2, 74) = 4.232$, $p = .018$. Model 2 was also statistically significant, $F(4, 74) = 115.322$, $p < .001$, with adjusted $R^2 = .854$. The significant change statistic indicates that the interaction block collectively adds explanatory information beyond the predictors in Model 1.

4.3 Individual Interaction Effects

Table 2. Coefficients for the moderation models

Model	Predictor	B	SE	β	t	p
1	Strategic Partnerships	.104	.054	.134	1.906	.060
1	Regulatory Environment	.656	.057	.813	11.588	< .001
2	Strategic Partnerships	.136	.105	.175	1.296	.199
2	Regulatory Environment	.308	.144	.382	2.139	.036
2	OL × RE	.116	.044	.747	2.605	.011
2	SP × RE	−.051	.048	−.346	−1.058	.293

The Organizational Learning × Regulatory Environment interaction was positive and statistically significant, $B = .116$, $SE = .044$, $\beta = .747$, $t = 2.605$, $p = .011$. This indicates that the strength of the association between Organizational Learning and Competitive Advantage varied with Regulatory Environment. The positive sign is consistent with the interpretation that more supportive regulatory conditions are associated with a stronger translation of organizational learning into competitive outcomes.

The Strategic Partnerships × Regulatory Environment interaction was negative in sign but statistically non-significant, $B = −.051$, $SE = .048$, $\beta = −.346$, $t = −1.058$, $p = .293$. The coefficient should not be interpreted as evidence that regulation weakens the competitive contribution of partnerships because the p-value does not provide sufficient evidence that the estimated direction differs from zero. The appropriate conclusion is that the study did not establish a statistically significant moderation of the Strategic Partnerships–Competitive Advantage relationship.

4.4 AMOS Model-Specification Assessment

The study also examined a moderation model in AMOS. The available model produced extremely poor

global fit: $\chi^2(10) = 903.480$, $p < .001$, $\chi^2/df = 90.348$, GFI = .270, AGFI = −.533, CFI = .143, TLI = −.285, NFI = .146, and RMSEA = 1.070. The model specification also treated several composite and interaction variables as endogenous through the placement of error terms, rather than representing the intended exogenous predictors and interaction terms. Although the AMOS output produced significant interaction coefficients, including OL × RE β = .756, $p < .001$ and SP × RE β = −.396, $p < .001$, those estimates were not used as the final basis for hypothesis decisions because the model did not provide an adequately fitted representation of the hypothesized moderation structure.

This distinction is important for publication-quality reporting. A statistically significant coefficient from an inadequately specified SEM does not automatically provide stronger evidence than a correctly interpreted hierarchical regression. The final moderation inference in this study therefore rests on the hierarchical regression interaction tests. The AMOS analysis is reported only as a model-specification diagnostic and not as confirmation that both interaction effects are significant.

5. DISCUSSION

The principal finding is that Regulatory Environment functions as a selective or partial moderator rather than a uniform moderator. The interaction block produced a statistically significant improvement in explained variance, while the individual interactions showed different results. Regulatory Environment significantly strengthened the relationship between Organizational Learning and Competitive Advantage, but no statistically significant moderation was established for Strategic Partnerships. The finding refines the conceptual expectation that regulation would condition both relationships in the same way.

The significant Organizational Learning × Regulatory Environment interaction is consistent with the logic of Contingency Theory. Organizational learning is an internal capability, but its value is realized through action. The regulatory environment determines part of the institutional space in which that action occurs. When rules are clear, implementation requirements are predictable, and firms can incorporate regulatory information into strategic decisions, knowledge acquired through learning may be more readily translated into new products, improved processes, market responses, and organizational adaptation. The statistical interaction supports the contextual proposition, although it does not identify which individual regulatory component accounts for the observed effect.

The finding also extends the organizational-learning literature. Pratono et al. (2019) linked inter-organizational learning with sustainable competitive advantage, while Do and Mai (2022) synthesized evidence on organizational learning and performance. Zhang et al. (2023) found that organizational learning is important in the relationship between open innovation and sustainable competitive advantage. The present study adds an institutional boundary to this literature by demonstrating that the strength of the learning–competitive advantage association varies with Regulatory Environment among NSE-listed firms. The contribution is therefore not merely that learning matters, but that the conditions surrounding the deployment of learning also matter.

The result is also consistent with research that treats regulatory conditions as boundary variables. Khan et al. (2019) reported that Regulatory Environment moderates the relationship between strategic human-resource management and organizational competitiveness among SMEs in Pakistan. Mulaessa and Lin (2021) identified environmental regulation as a moderating condition in proactive environmental strategies. Handoyo and Anas (2024) examined regulatory quality and government effectiveness as moderators of the relationship between ESG practices and firm performance across ASEAN. Tyler et al. (2024) similarly highlighted the role of regulatory pressure in environmental-practice adoption. The current study differs in population and construct scope: it examines multi-sector NSE-listed firms and a broad Regulatory Environment construct in relation to Organizational Learning and Competitive Advantage.

The non-significant Strategic Partnerships × Regulatory Environment interaction is equally important. Strategic partnerships may generate competitive value through mechanisms such as access to complementary resources, partner knowledge, trust, governance, market access, and risk sharing. Zahoor et al. (2024) and Bustinza et al. (2019) emphasize the strategic value of alliance relationships, while Oyombe et al. (2022) provide Kenyan evidence concerning partnerships and competitive advantage in construction supply chains. The present result suggests that the broad regulatory environment did not significantly alter the partnership–competitive advantage association in the sample. This does not mean regulation is irrelevant to partnerships; it means that the available evidence does not establish a statistically significant interaction.

The contrasting interaction effects can be interpreted through Social Capital Theory and Transaction Cost Economics. Partnership value may depend substantially on relational trust, commitment, reciprocity, governance, coordination, and transaction characteristics. These mechanisms may remain relatively stable across variations in broad regulatory conditions. By contrast, Organizational Learning is intrinsically concerned with interpreting information and adapting internal routines, making it more directly sensitive to the institutional environment in which new knowledge is implemented. The asymmetric moderation pattern therefore has theoretical plausibility without requiring the conclusion that regulatory conditions have no role in partnership management.

The findings also contribute to the literature's contextual gap. Previous moderation studies cited in the thesis often focus on SMEs, environmental practices, manufacturing, or specific organizational functions. The

present sample comprises firms listed across 13 NSE sectors, thereby bringing the moderation question into an emerging capital-market setting. Listed firms face formal market regulation and sector-specific requirements while also managing investor expectations and competitive pressures. The finding that regulation selectively moderates learning but not partnerships indicates that the institutional environment may interact with strategic capabilities in capability-specific ways.

6. THEORETICAL IMPLICATIONS

The study provides direct empirical support for the contextual logic of Contingency Theory. The significant Organizational Learning × Regulatory Environment interaction indicates that the competitive relevance of an internal capability is not constant across regulatory conditions. This supports a fit-based view in which capabilities and environments must be considered together.

For RBV, the findings provide an important contextual qualification. Organizational learning can be a valuable capability, but its value is not realized independently of the institutional context. The study does not suggest that regulation is a firm-owned resource. Rather, it suggests that the effectiveness of an internal capability may depend on the external conditions under which it is deployed. This complements the dynamic-capabilities emphasis on adaptation and reconfiguration (Teece, 2022).

The contrasting partnership result contributes to Social Capital Theory and Transaction Cost Economics. The absence of a significant interaction suggests that the competitive contribution of strategic partnerships may depend more strongly on relational and governance mechanisms than on broad variation in the regulatory environment. This does not disconfirm the importance of regulation; instead, it suggests that different strategic mechanisms may be contingent on different contextual variables.

7. MANAGERIAL AND POLICY IMPLICATIONS

For managers, the findings imply that organizational learning initiatives should be connected explicitly to regulatory intelligence. Firms can strengthen this connection through regulatory-monitoring systems, cross-functional compliance and strategy teams, continuous employee learning, knowledge-sharing platforms, lessons-learned systems, and processes for translating regulatory changes into strategic decisions. The objective is not simply to comply with regulation but to ensure that newly acquired knowledge can be implemented effectively within the institutional environment.

For strategic partnerships, management should continue to assess regulatory requirements during partner selection, contracting, governance, and performance review. However, managers should not assume that changes in the general regulatory environment will automatically strengthen or weaken the competitive value of partnerships. Partner complementarity, trust, governance quality, knowledge integration, and transaction costs may require more direct attention.

For policymakers and regulators, the findings indicate that regulatory quality can have implications beyond compliance. Clear and predictable regulatory arrangements may create conditions in which firms can convert organizational learning into innovation and competitive adaptation. Regulatory agencies can therefore consider whether rules, guidance, approval procedures, and communication mechanisms provide sufficient clarity for firms to respond to changes. The study does not establish that any particular regulatory reform will increase competitive advantage, but it provides evidence that regulatory conditions are relevant to the learning–competitive advantage relationship.

8. METHODOLOGICAL QUALIFICATION AND LIMITATIONS

Several qualifications are necessary. First, the moderation analysis is cross-sectional and based on perceptual survey data; therefore, the results establish statistical relationships rather than temporal causality. Second, the available hierarchical regression output did not show Organizational Learning as a separate lower-order predictor in Model 1 before the Organizational Learning × Regulatory Environment interaction was introduced. Conventional moderation models normally retain the relevant lower-order terms. The present article therefore reports the model as estimated and treats this as a specification limitation rather than silently reconstructing the analysis.

Third, the AMOS moderation model had extremely poor fit and was not used for final inference. This limits the extent to which the study can make claims about latent-variable interaction effects. Fourth, the sample was drawn from selected NSE-listed firms, with purposive firm selection at the first stage, so findings should not be generalized automatically to all Kenyan firms. Future studies should use fully specified moderation models, larger samples, longitudinal designs, multi-source measures, and latent interaction techniques where appropriate.

9. CONCLUSION

The study concludes that Regulatory Environment is a selective boundary condition in the relationship between strategic capabilities and Competitive Advantage among the sampled NSE-listed firms. The overall interaction block significantly improved the explanatory power of the model, and the Organizational Learning × Regulatory Environment interaction was positive and statistically significant. By contrast, the Strategic Partnerships × Regulatory

Environment interaction was not statistically significant. The evidence therefore supports partial moderation rather than a uniform regulatory effect across both strategic capabilities.

The findings extend contingency-based explanations of competitive advantage by demonstrating that the value of an internal learning capability depends partly on the regulatory context in which it is deployed. They also qualify expectations concerning strategic partnerships by showing that the same regulatory moderation pattern does not automatically apply to relational capabilities. For NSE-listed firms, the implication is that organizational learning should be connected to regulatory intelligence and strategic responsiveness, while partnership value should continue to be managed through complementary resources, governance, trust, and knowledge integration. Overall, the article provides evidence that understanding competitive advantage in emerging capital markets requires attention to both organizational capabilities and the institutional conditions that shape their deployment.

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