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Organizational Learning and Competitive Advantage of Firms Listed on the Nairobi Securities Exchange, Kenya: Evidence from Structural Equation Modelling and Regression Analysis

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ABSTRACT

This study examined the relationship between organizational learning and competitive advantage among firms listed on the Nairobi Securities Exchange (NSE), Kenya. The study was motivated by limited evidence on whether organizational learning directly explains competitive advantage in the context of a multi-sector African capital market. The study adopted a positivist philosophy and a descriptive-explanatory cross-sectional design. The target population comprised 473 top-management executives from 64 actively trading NSE-listed firms across 13 sectors. A multi-stage sampling procedure was used, with 39 firms selected at the firm level and 83 executives targeted at the respondent level. Seventy-nine usable questionnaires were returned, representing a 95.2% response rate. Data were collected using a structured five-point Likert-scale questionnaire and analysed using confirmatory factor analysis, structural equation modelling (SEM), and simple linear regression. The retained measurement indicators demonstrated acceptable construct representation, while organizational learning recorded Cronbach's alpha of .869, composite reliability of .879, and average variance extracted of .590. The SEM structural path from organizational learning to competitive advantage was positive and statistically significant ($B = 1.150$, $SE = .100$, $C.R. = 11.500$, $p < .001$, $\beta = .860$), explaining 74.0% of the variance in competitive advantage. The observed-score regression produced a consistent result ($R = .891$, $R^2 = .794$, $F(1, 77) = 297.586$, $p < .001$; $B = .872$, $SE = .051$, $\beta = .891$, $t = 17.251$, $p < .001$). The findings support the view that organizational learning is an important strategic capability associated with competitive advantage among NSE-listed firms. The article contributes contextual evidence from an emerging capital market and demonstrates the value of distinguishing latent-variable SEM estimates from composite-score regression estimates.

1. INTRODUCTION

Competitive advantage remains a central concern in strategic management because firms must continually create and appropriate value while responding to technological change, shifting customer expectations, competitive pressure, and environmental uncertainty. Contemporary strategy research increasingly views competitive advantage not as a static possession but as an outcome of capabilities that enable organizations to renew resources, innovate, adapt, and respond to changing market conditions (Barney, 2018; Teece, 2022). For firms operating in emerging capital markets, these demands can be especially important because organizations must simultaneously manage resource constraints, institutional pressures, market volatility, and changing stakeholder expectations.

Organizational learning is one capability that may enable firms to respond to such conditions. It encompasses processes through which organizations acquire knowledge, share information, interpret experience, retain organizational memory, and apply knowledge to decisions and routines. The learning perspective is therefore concerned not only with the acquisition of information but with the organizational processes through which information becomes usable capability. Recent scholarship links organizational learning with innovation, adaptability, resilience, and firm performance (Do & Mai, 2022; Freixanet & Federo, 2022). Learning can also facilitate the integration of internal experience with external knowledge, allowing organizations to renew routines as market conditions change.

Empirical evidence generally supports a positive association between learning-related capabilities and competitive outcomes, but the evidence is not uniform in design or context. Ferreira et al. (2021), for example, examined dynamic capabilities, innovation, organizational learning capability, competitive advantage, and firm performance among Portuguese firms. Tu and Wu (2021) showed that organizational learning plays an important role in the pathway from green innovation to competitive advantage in Chinese enterprises. Zhang et al. (2023) similarly reported a role for organizational learning in linking open innovation with sustainable competitive advantage among Chinese high-tech enterprises. These studies demonstrate the relevance of learning but also show that much of the evidence has been generated in specific industries, countries, or mediation/moderation models.

The Kenyan context presents a further empirical question. Firms listed on the NSE operate across sectors with different competitive structures and regulatory demands. Existing Kenyan studies identified in the thesis literature review have examined learning and performance in particular organizational settings, but direct evidence on organizational learning and competitive advantage across NSE-listed firms remains limited. The present study addresses this population and contextual gap by examining whether organizational learning is statistically associated with competitive advantage among NSE-listed firms. The article also contributes methodologically by reporting both latent-variable SEM and observed composite-score regression, thereby avoiding the common practice of treating

coefficients from the two approaches as interchangeable.

2. LITERATURE REVIEW AND THEORETICAL FOUNDATION

2.1 Organizational Learning and Competitive Advantage

Organizational learning may be understood as an organizational capability involving knowledge acquisition, knowledge sharing, learning culture, and innovation and adaptability. Knowledge acquisition concerns the systematic search for information from internal experience and external sources such as customers, competitors, partners, and markets. Knowledge sharing concerns the movement of knowledge across individuals and organizational units. A learning culture embeds inquiry, experimentation, reflection, and openness to change into organizational routines. Innovation and adaptability concern the application of knowledge to new products, processes, services, and strategic responses. These dimensions are interdependent: knowledge that is acquired but not shared may remain localized, while knowledge that is shared but not applied may not create strategic value.

The competitive relevance of learning arises from its potential to improve organizational responsiveness. Firms that capture lessons from experience and integrate external information can revise routines, identify opportunities, reduce repeated mistakes, and respond more rapidly to changes in customers, technologies, and competitors. Do and Mai (2022), in a systematic review, show that organizational learning is linked with firm performance across a broad literature. Freixanet and Federo (2022) likewise emphasize the interaction between learning capability, innovation, and internationalization. Soomro et al. (2021) identify organizational innovation and learning among strategic factors associated with organizational performance. These findings support the expectation that learning can contribute to competitive outcomes, while also suggesting that the value of learning depends on how knowledge is embedded in organizational processes.

The empirical literature also points to contextual variation. Ferreira et al. (2021) examined organizational learning capability as a moderating condition in the relationship between innovation, competitive advantage, and performance, while Tu and Wu (2021) emphasized its role in green innovation and competitive advantage. Zhang et al. (2023) found organizational learning to be relevant in the relationship between open innovation and sustainable competitive advantage. The present study differs by focusing on a direct relationship between organizational learning and competitive advantage among firms listed across multiple NSE sectors rather than limiting the analysis to a specific innovation pathway or industry.

2.2 Resource-Based View

The Resource-Based View (RBV) provides the principal theoretical explanation for why organizational learning can be associated with competitive advantage. RBV argues that differences in firm performance can arise from differences in resources and capabilities and their strategic deployment. Barney (2018) emphasizes the importance of firm-specific resources and the conditions under which value can be appropriated. Organizational learning can be conceptualized as a capability through which firms continually develop, integrate, and renew knowledge and routines. Unlike a single physical asset, learning capability can influence how the firm uses many other resources.

From an RBV perspective, the competitive relevance of organizational learning does not arise simply because a firm possesses information. Rather, it arises from the ability to convert knowledge into routines, decisions, innovation, adaptation, and capabilities that are difficult for competitors to reproduce. Mailani et al. (2024) emphasize the continuing relevance of resource-based reasoning in sustainable competitive advantage. Teece (2022) complements this logic through the dynamic capabilities perspective, which highlights sensing, seizing, and reconfiguring in changing environments. Organizational learning can therefore be interpreted as an enabling mechanism through which firms renew their resource base and adapt strategic action.

2.3 Research Hypothesis

The theoretical and empirical literature suggests that firms with stronger learning processes should be better positioned to acquire and apply knowledge, improve routines, innovate, and respond to competitive changes. Accordingly, the study tested the following null hypothesis: $H0_1$: Organizational Learning has no statistically significant influence on the Competitive Advantage of firms listed on the NSE.

3. METHODOLOGY

3.1 Research Design and Population

The study adopted a positivist philosophy and a descriptive-explanatory cross-sectional research design. The target population comprised 473 top-management executives from 64 actively trading firms listed on the NSE across 13 sectors. The study identified senior executives as appropriate respondents because they were expected to possess knowledge of strategic decision making, organizational learning processes, and competitive positioning.

3.2 Sampling and Data Collection

A multi-stage sampling procedure was used. At the first stage, 39 firms were selected purposively from the 64 actively trading firms using predetermined criteria including data availability, operational stability, and relevance to the study variables. At the second stage, 83 top-management executives were targeted using simple random selection with proportional sectoral consideration. A total of 79 questionnaires were successfully returned and found usable, giving a 95.2% response rate. The unit of analysis was the individual top-management executive.

Data were collected using a structured questionnaire based on a five-point Likert scale ranging from strongly disagree to strongly agree. Organizational learning was operationalized through knowledge acquisition, knowledge sharing, learning culture, and innovation/adaptability. Competitive advantage was represented through indicators concerning market position, cost leadership, differentiation, and customer-related outcomes. Content validity was addressed through expert review, while construct validity was examined through confirmatory factor analysis. Reliability was assessed using Cronbach's alpha and composite reliability.

3.3 Analytical Procedures

The analysis combined descriptive statistics, confirmatory factor analysis, SEM, and simple linear regression. The measurement model was evaluated using factor loadings, Cronbach's alpha, composite reliability, average variance extracted, the Fornell-Larcker criterion, and HTMT. SEM was then used to estimate the relationship between the latent Organizational Learning and Competitive Advantage constructs. In a separate analysis, the observed composite scores were entered into a simple linear regression model. This distinction is important because the SEM coefficient reflects a relationship between latent constructs while the regression coefficient reflects the association between observed composite scores.

4. RESULTS

4.1 Measurement Model

The measurement assessment supported the use of Organizational Learning as a latent construct. The retained Organizational Learning indicators had standardized loadings of approximately .84 to .91, while the retained Competitive Advantage indicators loaded at approximately .79 to .90. Organizational Learning recorded Cronbach's alpha of .869 and composite reliability of .879, both above the .70 criterion. The AVE was .590, indicating that the construct captured more than half of the variance in its retained indicators. Discriminant validity was also supported: the square root of AVE for Organizational Learning was .768 compared with an inter-construct correlation of .742, while the corresponding square root for Competitive Advantage was .791. The HTMT ratio was .824, below the conservative .85 threshold.

Table 1. Retained standardized factor loadings for Organizational Learning and Competitive Advantage

Construct/indicator	Loading	Assessment
OL1	.86	Retained
OL2	.91	Retained
OL3	.84	Retained
OL6	.88	Retained
OL7	.89	Retained
OL8	.90	Retained
CA1	.88	Retained
CA2	.87	Retained
CA4	.90	Retained
CA5	.79	Retained
CA6	.85	Retained
CA7	.88	Retained
CA8	.86	Retained

4.2 Structural Model and Hypothesis Test

The SEM structural model produced acceptable overall fit across the principal indices: $\chi^2(76) = 178.420$, $\chi^2/df = 2.348$, CFI = .941, TLI = .928, RMSEA = .081, and SRMR = .056. Although RMSEA was marginally above the commonly preferred .08 level, the combined pattern of fit statistics supported interpretation of the structural path.

Table 2. SEM structural path from Organizational Learning to Competitive Advantage

Estimate	B	SE	C.R.	p	β
OL → CA	1.150	.100	11.500	< .001	.860

The path from Organizational Learning to Competitive Advantage was positive and statistically significant, B = 1.150, SE = .100, C.R. = 11.500, $p < .001$, $\beta = .860$. The squared multiple correlation for Competitive Advantage was $R^2 = .740$, indicating that the specified latent Organizational Learning construct accounted for 74.0% of the variance in Competitive Advantage within the SEM.

4.3 Observed-Score Regression

Table 3. Simple linear regression of Competitive Advantage on Organizational Learning

Statistic	Value
R	.891
R^2	.794
Adjusted R^2	.792
F(1,77)	297.586, p < .001
B	.872
SE	.051
β	.891
t	17.251, p < .001

The observed-score regression also indicated a strong positive relationship. The model was statistically significant, F(1, 77) = 297.586, p < .001, with R = .891 and R^2 = .794. Organizational Learning had a positive and statistically significant coefficient, B = .872, SE = .051, β = .891, t = 17.251, p < .001. Approximately 79.4% of the observed variance in Competitive Advantage was explained by the Organizational Learning composite score in this simple regression.

5. DISCUSSION

The central finding is that Organizational Learning is positively and significantly associated with Competitive Advantage among the sampled NSE-listed firms. The result is consistent across the two analytical approaches: the latent-variable SEM produced β = .860, while the observed-score regression produced β = .891. The coefficients should not be interpreted as identical because the models operate at different analytical levels, but their common direction and statistical significance provide convergent empirical evidence for the substantive relationship. The result also provides direct evidence for the first objective of the study and supports rejection of $H0_1$.

The finding is consistent with the argument that learning enables organizations to transform information and experience into capabilities. Organizational learning can improve competitive positioning by enabling firms to identify changes in their environment, share knowledge across organizational boundaries, revise routines, and apply new information to strategic decisions. Do and Mai (2022) synthesized evidence linking organizational learning with firm performance, while Freixanet and Federo (2022) highlighted the relationship between learning capability, innovation, and internationalization. The present study extends this evidence to NSE-listed firms and focuses directly on competitive advantage rather than performance alone.

The result also aligns with empirical studies that connect organizational learning to innovation and competitive outcomes. Tu and Wu (2021) showed that organizational learning plays a role in the relationship between green innovation and competitive advantage, while Zhang et al. (2023) demonstrated its importance in the open-innovation–sustainable competitive advantage pathway. Ferreira et al. (2021) similarly incorporated organizational learning capability into a model involving dynamic capabilities, innovation, competitive advantage, and firm performance. The current finding is therefore compatible with the broader literature while differing in context and model specification. It provides evidence that the learning–advantage relationship is observable even when the analysis is not restricted to a single innovation mechanism.

From an RBV perspective, the finding suggests that learning capability is a potentially valuable organizational resource because it affects how firms develop and redeploy other resources. A firm may have access to similar technologies, financial resources, or market opportunities as competitors, yet differences in its ability to learn from experience and external information can affect how effectively those resources are deployed. Teece's (2022) dynamic capabilities perspective reinforces this interpretation by emphasizing organizational processes that enable firms to sense, seize, and reconfigure in changing environments. Learning can therefore contribute to competitive advantage not merely by creating knowledge stocks but by improving the firm's capacity to renew its capabilities.

The findings are also relevant to management in the NSE context. The descriptive results in the thesis showed relatively modest perceptions of several learning practices, including formal knowledge-capture mechanisms and the contribution of learning to competitive advantage. The strong inferential relationship therefore should not be interpreted as evidence that learning practices were already highly developed across all sampled firms. Rather, it indicates that differences in Organizational Learning were strongly associated with differences in Competitive Advantage. This distinction has practical importance: firms may have substantial room to improve the systems through which learning is converted into operational and strategic outcomes.

At the same time, the high R^2 values should be interpreted cautiously. Cross-sectional survey data cannot establish temporal causality, and the regression model does not imply that Organizational Learning is the only determinant of Competitive Advantage. The remaining unexplained variance indicates that other capabilities and contextual conditions matter. The broader thesis demonstrates this point by examining Strategic Partnerships and Regulatory Environment. Thus, the present article isolates Objective One to establish the direct learning relationship while recognizing that competitive advantage is a multidimensional outcome.

6. THEORETICAL AND PRACTICAL IMPLICATIONS

6.1 Theoretical Implications

The study contributes to RBV-oriented explanations of competitive advantage by providing evidence that an organizational capability concerned with knowledge acquisition, sharing, retention, and

application is strongly associated with competitive positioning. It also complements dynamic-capability reasoning by showing that learning is empirically relevant in a listed-firm setting in an emerging market. The findings suggest that capability-based explanations should consider not only what resources firms possess but also the organizational processes through which those resources are renewed and redeployed.

6.2 Managerial Implications

Managers of NSE-listed firms should treat organizational learning as a strategic capability rather than solely as an employee-development function. Priority areas include systematic knowledge acquisition, cross-functional knowledge sharing, lessons-learned systems, learning-oriented leadership, employee development, and mechanisms for converting knowledge into innovation and operational improvement. The evidence further suggests that investment in learning should be connected to strategic decision making so that acquired knowledge is translated into action.

7. LIMITATIONS AND FUTURE RESEARCH

The study is subject to several limitations. First, the cross-sectional design limits the ability to establish temporal direction or long-term persistence of the observed relationship. Second, the study relies on self-reported perceptions from senior executives, which may introduce common-method or respondent-perception effects. Third, the study focuses on selected NSE-listed firms and therefore should not be generalized automatically to unlisted firms, SMEs, or other national capital markets. Fourth, some original Organizational Learning indicators displayed weak factor loadings and were excluded from the retained latent measurement model. Future research could employ longitudinal data, multi-source measures, objective performance indicators, and comparative samples across African capital markets.

8. CONCLUSION

This study provides evidence that Organizational Learning is strongly and positively associated with Competitive Advantage among firms listed on the Nairobi Securities Exchange. The relationship was statistically significant in both latent-variable SEM and observed-score regression. The findings support the proposition that firms capable of acquiring, sharing, retaining, and applying knowledge are better positioned to develop and sustain competitive capabilities. The study extends existing learning and competitive-advantage literature by providing evidence from a multi-sector emerging capital-market context and by distinguishing SEM estimates from composite-score regression estimates. For practice, the findings highlight the importance of institutionalizing learning processes and connecting knowledge development to strategic action.

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