



Relationship Between Strategic Direction, Core Competencies And Firm Competitiveness Among Manufacturing Firms In Uganda

James Oguta*¹, Andrew Kimwolo², Thomas K. Cheruiyot³

¹ Faculty of Management Science, Lira University Uganda

^{2,3} School of Business and Economics, Moi University, Kenya

* Corresponding author: ogutajames4@gmail.com

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Abstract

Purpose- The paper examines the relationship between strategic direction, core competencies, and firm competitiveness among manufacturing firms in Uganda.

Design/Methodology- This study collected quantitative data from 410 manufacturing firms using self-administered questionnaires, while qualitative data was collected from 10 manufacturing firms using an interview guide. Quantitative data were augmented by qualitative methods, allowing us to comprehend the phenomenon under study completely. To study the nature of reality, an explanatory cross-sectional survey was employed. While the content analysis was used to investigate qualitative data, regression analysis was used to evaluate hypotheses.

Findings- According to the research, a firm's competitiveness improves when its executives concentrate on their capabilities. The findings validated the theoretical foundations of the resource-based viewpoint.

Practical Implications- As a result of the findings, manufacturing firms may increase strategic leadership's influence on competitiveness by ensuring that workers have proper directions and that the core competencies are identified and leveraged to ensure efficiency and effectiveness in operations. The findings may assist CEOs and policymakers design strategies and policies to increase the level of competitiveness of their firms.

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Introduction

Researchers in strategic management and economics have characterized the idea of competitiveness as a complicated, diverse, and relative term whose relevance varies depending on the period and environment in which it is encountered (Chaudhuri *et al.*, 1997; Schulz & Flanigan, 2016). Academics from several disciplines have attempted to understand competition from various approaches. Despite a considerable amount of information and literature on firm competitiveness, scholars have been baffled by the idea (Chaudhuri *et al.*, 1997). Even though scholars have differing opinions on the term's definition, the concept of firm competitiveness has come to be connected with a company's financial strength in general (S. Srivastava *et al.*, 2017). Gaining a competitive advantage over other manufacturing companies has become a new goal for companies worldwide to boost their output and profitability (Ajitabh & Momaya, 2003). Ugandan manufacturing, in particular, requires expansion since the country's demand for manufactured goods is enormous, providing additional opportunities for the country's manufacturers. Uganda imports up to 70% of its manufactured product requirements from other countries (Anderson & van der Mensbrugge, 2007), demonstrating that the country has low manufacturing levels. As a result of the scenario, Uganda lost up to 1,122.9 million US dollars in manufactured goods imports in 2019 (UBOS, 2020).

The big potential for Uganda's manufacturing industry is to develop deeper, more dynamic, and stronger forward and backward ties, not just within the manufacturing sector but also with other sectors (Nagaaba, 2020). Uganda's geographical location in Eastern and Southern Africa gives it a competitive advantage in terms of potential buyers for its manufactured goods in surrounding nations. On the other hand, Uganda is a landlocked country that relies largely on Kenya and Tanzania for access to seaports for its import and export commodities and services. Despite its vast potential, Uganda's manufacturing sector has seen very modest growth over the years, with its proportionate share of total GDP falling from 6.6 percent in 2016 to 3.4 percent in 2019 (Golooba-mutebi, 2019). In 2020, the sector's growth rate was 1.6 percent, down from 7.1 percent in 2018. This contrasts with Vision 2040's prediction of the industry's 10.4% annual growth rate. Apart from that, it contrasts negatively with regional economies such as Kenya and Tanzania, which had sector growth of more than 10.2% and 7.9%, respectively, from 2018 to 2020 (World Bank report, 2020). Uganda's manufacturing sector has grown slowly compared to its neighbors, and as a result, the industry has become less competitive on national, regional, and international levels (Golooba-mutebi, 2019).

According to Chandra (2016), the operations of most manufacturing firms in India are inferior to those of their worldwide counterparts due to expensive capital expenditures, strict labor laws, and the country's small local market. Several hurdles, such as stiff competition from larger organizations and multinationals, poor worker performance, and restricted access to resources and markets, have influenced Uganda's manufacturing enterprises' competitiveness, among other things (Ecuru *et al.*, 2015). According to Olaka *et al.*, (2017), most businesses, particularly industrial enterprises, have seen their competitive edge erode as a consequence of complexity, inadequate strategic leadership, and an unpredictable business climate. These issues have harmed the competitiveness of Ugandan manufacturing businesses in terms of survival and expansion. As a result, 101 manufacturing companies in the country closed businesses between 2018 and 2020 (Public, 2020). To address these difficulties, Uganda's government has advocated for infrastructure improvements and incentives for those who engage in the industrial sector through its policy framework. Experts agree that strategic leadership improves a company's ability to compete (Egwakhe & Adeoye, 2019; Shrestha, 2019; Adebayo & Mudashiru, 2019). The elements of strategic leadership that influenced firm competitiveness were; strategic direction and core competence. Strategic direction in this study is understood as the foundational ideas or actions that allow for greater consistency in strategy over time. According to Akenten (2019), a company's strategic direction aids in foresight, encourages employees to do more than they think, and strengthens the company's competitiveness by allowing for massive change and progress. According to Agha *et al.*, (2011), who define core competence as

"what distinguishes an organization from its surroundings," this aspect of strategic leadership impacts a business's capacity to compete. Academics have also defined core competence as the ability to succeed in an organizational environment or adjust to novel circumstances (Chen & Wu, 2007). Core competencies, as defined by S. C. Srivastava (2005), are an organization's unique abilities to diagnose and address problems. According to Hafeez (2002), an organization's competitive advantage may be directly correlated to its core competencies. Strategic leadership attributes and their impact on a firm's capacity to compete in its industry have received little attention from academics (Kamya & Ntayi, 2011). Research on the link between a company's strategic direction, core competencies, and competitiveness has received considerable attention. This study would contribute to the literature by examining how Ugandan manufacturers' strategic direction and core competence influence their capacity to compete.

Literature Review

In competitive studies, Penrose's Resource Based View, first proposed in 1959 and then refined by others, is a novel concept (Takiguchi, 2000). According to the principle, companies can utilize their resources to become more competitive. A resource is a scarce and irreplaceable asset, experience, organizational process, piece of information, or set of skills (Le et al., 2020). However, owning these resources is insufficient (Mohammed & Rugami, 2019). According to Khan et al., (2019), enterprises must successfully manage their distinctive resources and abilities to develop a competitive advantage and generate value relative to market rivals.

Due to disparities in data processing methodologies and situational depictions of strategic leadership, scholarly results on the relationship between strategic leadership and firm competitiveness vary substantially (Adebayo & Mudashiru, 2019). Further, in order to increase competitiveness, Agwu (2018) emphasized the significance of consistent leadership techniques across all of an organization's resources. Consequently, strategic leadership is organically linked to improved firm competitiveness and overall performance. The study also indicated that the personality traits of a company's strategic executives had a significant impact on its competitiveness. In order to increase competitiveness, Mahdi & Almsafir (2014), argue that it is beneficial to invest in risk-tolerant human capital. In contrast, Díaz-Chao et al., (2016) discovered that decision making adversely correlated with a company's competitive advantage.

Additionally, empirical research conducted by scholars such as Adebayo & Mudashiru (2019), Jaleha & Machuki, (2018), Kim & Thapa, (2018), Banmore et al., (2019) discovered that strategic leadership has a beneficial influence on business competitiveness. Researchers that investigated at the association between strategic leadership and competitiveness in the service industry as a whole (Andersson et al., 2014; Wang et al., 2011; G. Wang et al., 2016; Adeoye, 2019) found that it was positive and statistically significant. Additionally, the studies cited above imply that some leadership abilities enhance strategic leadership, hence increasing a firm's competitiveness. This fits with the findings of the upper echelons theory, which has stimulated research into the manner by which the personalities and backgrounds of business leaders affect the decisions they make and the results their companies achieve (e.g., Bromiley, 2016; Markoczy, 2015 G. Wang et al., 2016). Hambrick (2007) avers that strategic leaders' experiences, values and personalities affect their choices and through these choices, firm competitiveness is boosted. According to Hambrick & Mason (1984), "the upper echelons hypothesis is one of the most widely accepted schools of thought in the field of strategic management". In their study, Hitt et al., (2010) created a strategic leadership model based on six important aspects to explain how strategic leadership affects firm-level competitiveness. These include defining strategic direction, building human capital, exploiting and retaining key competencies, keeping an effective business culture, stressing ethical behavior, and establishing strategic control (Akenten, 2019). According to Akenten (2019), these aspects interact, demonstrating that strategic leaders' combination of these characteristics results in an improvement in firm competitiveness. To effectively manage an organization's resources, one must, for example, cultivate human capital that aids in defining a strategic course of action, sustaining a positive corporate culture,

implementing reliable control procedures, establishing a code of ethics, and discovering and developing essential skills and abilities. (Akenten, 2019).

Instead of the above, Chief Executive Officers (CEOs) are entirely responsible for deciding their businesses' strategic direction (Hitt *et al.*, 2010), which is defined as the process of developing a long-term vision of a firm's strategic aim (Hitt *et al.*, 2010; Rotemberg *et al.*, 2016). According to Prahalad & Hamel (1994), strategic intent is utilizing a business's internal resources, talents, and core competencies to enable a firm to achieve what may appear to be an unreachable objective in an unpredictable competitive environment. While Akenten (2019) stated that strategic purpose exists in organizations when all workers are dedicated to achieving a particular performance metric, believe passionately in their product and industry, and concentrate solely on what they do better than rivals. Strategic intent inspires employees to strive beyond their expectations of success by assisting them in imagining the future, which raises the degree of business competitiveness since substantial change and development are attained (Akenten, 2019).

Furthermore, Hitt *et al.*, (2010) argue that strategic leaders must strive relentlessly to apply core capabilities to enhance company performance and, as a result, boost firm-level competitiveness. Jaleha & Machuki (2018) must make decisions to assist their organization in creating, preserving, enhancing, leveraging, and exploiting key capabilities through pooling resources across the firm's many units. These core competencies thrive when they are founded on intangible resources that are not readily obvious to competitors, such as the knowledge or skills of certain persons (Akenten, 2019). Core competencies are effectively utilized in many big and undoubtedly diverse organizations when established and deployed across different parts of the organization to create and maintain a competitive advantage in the marketplace (Nicholson & Howard, 2018). They said that developing, cultivating, and applying core competencies for many multinational organizations makes it easier to manage complicated connections among enterprises operating in many worldwide marketplaces.

On the other hand, core skills cannot function effectively without good human and social capital development. Following the evaluation of the literature, this study will attempt to fill in the gaps by examining how different characteristics of strategic leadership impact company competitiveness in Uganda. This leads us to postulate the following;

H1: Strategic direction has a significant effect on firm competitiveness.

H2: Core competencies have a significant effect on firm competitiveness.

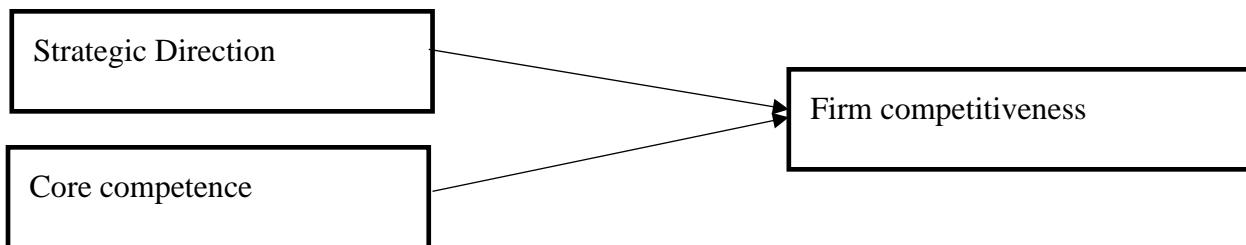


Figure 1 - Conceptual framework

As seen in the figure above, strategic direction and core competence as elements of strategic leadership were modeled with firm competitiveness as the dependent variable. We suggest that strategic direction and core competence are significant determinants of firm competitiveness, i.e., clear strategic directions and more core competencies lead to higher firm competitiveness levels. For manufacturing firms to maintain high levels of competitiveness, they should improve their core competencies and give clear directions to workers of their firms.

Methodology

Research design and sample

To investigate the link between strategic direction, core competencies, and firm competitiveness, the researchers used a cross-sectional explanatory survey methodology that blended qualitative and quantitative research methodologies. Manufacturing companies in Uganda served as the study's unit of analysis. Based on Taherdoost (2017) sample size determination table, out of the population of 1,324 manufacturing firms registered with the Uganda Manufacturers' Association, a sample of 624 firms was taken. There was a 65.7% response rate, with 410 manufacturing firms providing the necessary quantitative data. The quantitative data was supplemented with qualitative data obtained from 10 manufacturing firms with the help of an interview guide. This also enabled us to understand the phenomena that were being studied fully.

Measurement of variables

Dependent variable: The competitiveness of firms was measured using scales devised by Li *et al.*, (2006).

Independent variables: Strategic direction and core competencies were evaluated using a tool devised by Ireland & Hitt (1999) and experimentally tested by Serfontein (2010) and Jooste & Fourie (2009).

Control variables: The number of years a company has existed was used as a proxy for its "age" (Philippon, 2018). At the same time, the number of workers was used as a proxy for firm size (Revilla & Fernández, 2013).

All responses were recorded on a 7-point Likert scale, with 1 indicating "strongly disagree" and 7 indicating "strongly agree," or "far worse than competitors" (1) and "far better than competitors" (7). Since most of the early authors used a seven-point Likert scale to assess the psychometric properties of the variables, it was assumed to be the most applicable and reliable option.

Data entry, editing, and reliability analysis

The study used SPSS version 23 & NVIVO version 11 pro to analyze quantitative and qualitative data. Input errors, missing values, outliers, and normality were checked in SPSS once the quantitative data from the field was entered into the software. Unusable data was found to be at 0.1 percent, within the 0.5 percent rule of thumb (Hadi *et al.*, 2009). The data were evaluated for normality assumptions and a normal distribution pattern was identified. As Chun Won *et al.*, (2017) suggested, the linearity of the predictor variable and the explanatory elements was also assessed using scatter plots of the standardized residuals of the dependent and independent variables. The data was then tested for homoscedasticity, and the result showed that the data was homoscedastic since all of the test statistic values had a level of significance of more than 5% (p-value >.05). In addition, the VIF values were less than ten and the tolerance level was larger than 0.10, suggesting that there was no multicollinearity. The Durbin-Watson value of 1.75 was achieved in serial correlation testing, indicating that there was no serial correlation since the result was within the 1.5 to 2.5 range recommended by the authors (Savin & White, 1977).

Results

Confirmatory factor analysis for firm competitiveness

Firm competitiveness was measured in terms of quality, time to market, Price, product innovation, and delivery dependability. All the 3 items from exploratory factor analysis under quality as a dimension survived. Confirmatory factor analysis confirmed and retained all the 3 items from exploratory factor analysis from delivery dependability. All the items for product dependability were retained after conducting confirmatory factor analysis, while under time to market one item was eliminated due to low loading. Results from the fit indices for the measurement model were satisfactory (Hu & Bentler, 1999), indicating that the items measuring

company competitiveness were sufficiently represented after confirmatory factor analysis. Results from the confirmatory factor analysis for firm competitiveness are indicated in the table below;

Table 1: Model fit measures of confirmatory factor analysis for firm competitiveness

Measure	Estimate	Threshold	Interpretation
CMIN/CMIN	177.603	--	--
DF	78	--	--
CMIN/DF	2.277	Between 1 and 3	Excellent
CFI	0.966	>0.95	Excellent
SRMR	0.060	<0.08	Excellent
RMSEA	0.056	<0.06	Excellent
PClose	0.179	>0.05	Excellent

Key: CFI: Comparative factor index, RMSEA: Root mean square of error approximation, CMIN/DF: Minimum Discrepancy Function by Degrees of Freedom divided, SRMR: Standard root mean squared residual

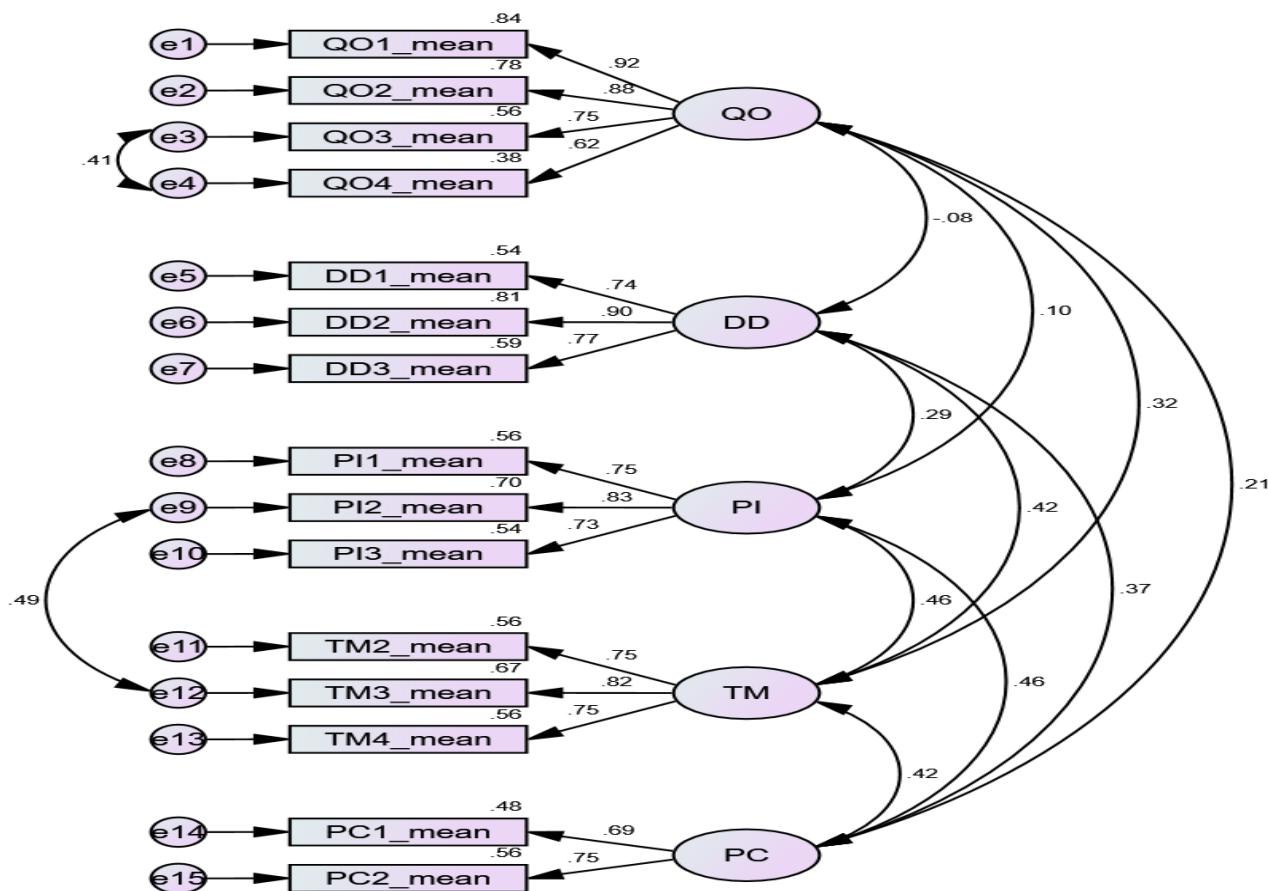


Figure 2- Confirmatory factor analysis for firm competitiveness

Confirmatory Factor Analysis For Strategic Leadership Elements

The results of this measurement model for strategic leadership elements achieved the required indices representing good fit (Mishra, 2016). In general, the provided indices suggest that a reasonable measurement model fit was also obtained for the various indices used to represent strategic leadership, as seen in table 2 below.

Table 2: Model fit measures of confirmatory factor analysis for the elements of strategic leadership

Measure	Estimate	Threshold	Interpretation
CMIN	105.393	--	--
DF	28	--	--
CMIN/DF	3.764	Between 1 and 3	Acceptable
CFI	0.958	>0.95	Excellent
SRMR	0.057	<0.08	Excellent
RMSEA	0.071	<0.06	Acceptable
PClose	0.001	>0.05	Terrible

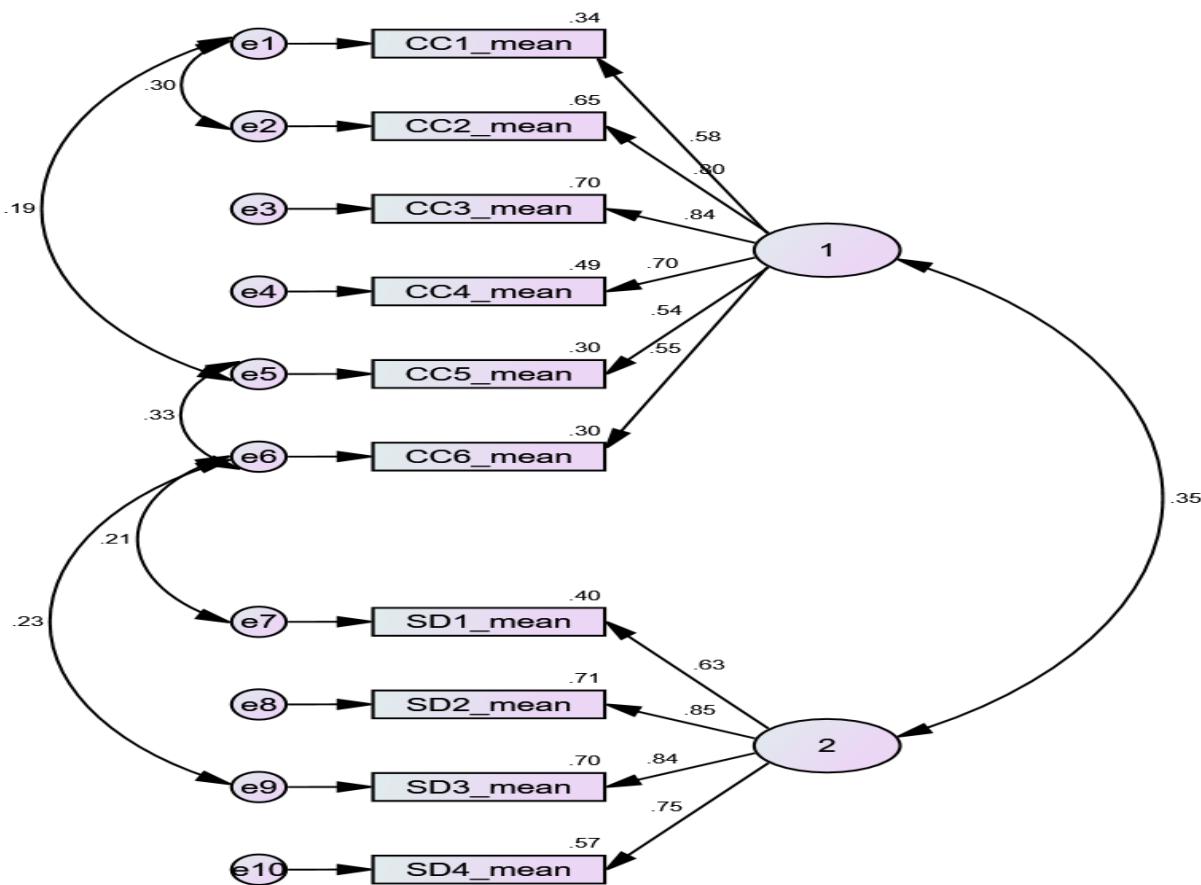


Figure 3 - Confirmatory factor analysis for strategic leadership elements

Descriptive Statistics

The descriptive statistics (mean, standard deviation, and correlations) are shown in Table 3. As shown in the table below, all the variables positively correlated with one another and firm competitiveness (strategic direction $r = 0.562$, p-value $< .05$, core competences $r = 0.505$, p-value $< .05$) with the exception of the control variables; firm size ($r = 0.137$, p-value $< .05$) and firm age ($r = 0.027$, p-value $< .05$) which reported low positive correlations. The statistics also indicate that the mean for the category of core competencies was 5.3837, with a standard deviation of 0.79053, while the mean for the domain of strategic direction was 5.1677, with a standard deviation of 1.00035.

Table 3: Descriptive statistics

Variables	1	2	3	4	5	Mean	SD				
1 FC	1					5.3786	.61061				
2 SD		.562**	1			5.1677	1.00035				
3 CC			.505**	.339**	1	5.3837	.79053				
4 Firm size				.137**	.056	.004	5.8171	.49269			
5 Firm age					.027	.022	-.002	.021	1	4.6683	.74152

**. Correlation is significant at the 0.01 level (2-tailed).

Key: FC - Firm competitiveness, SD - Strategic direction, CC - Core competences

Testing For The Effect Of Control Variables On The Dependent Variable

Control variables were examined for their influence on the dependent variable to determine how the controls affected the dependent variable in comparison to the direct effects (Creswell & Garrett, 2008). According to Table 4, firm age and size predict a 2% variance in firm competitiveness ($R^2 = 0.02$). The combined prediction is significant, as evidenced by the F value (4.23, P 0.05). Only firm size substantially predicted business competitiveness independently. The coefficients are not causal because they are merely control variables.

Table 4: Control variables effect on the dependent variable

Model	Beta	Unstd.	Std. Error	Beta Std.	t.	Sig.
(Constant)	4.277		.396		10.804	.000
Firm Size	.173		.060	.140	2.865	.004
Firm Age	.020		.040	.024	.493	.622
Model summary statistics						
R				.142		
R square				.02		
Adjusted R square				.60		
Standard error of the estimate						
Change statistics		R square change		.020		
		F change		4.23		
		Sig.		.015		

a. Predictors: (Constant), Firm Size, Firm Age

Source: Survey data, 2022

Test Of Hypotheses

H1: Strategic direction has no significant effect on firm competitiveness.

Strategic direction significantly affects a firm's capacity to compete in the market ($=0.265$, t -value $=10.969$, $p=0.005$). These results indicate that with each unit increase in strategic direction, firm competitiveness increases by 0.27 units. The findings verify that strategic direction positively affects a company's ability to compete in the market. Therefore, hypothesis H_1 was accepted.

H2: Core competencies have no significant effect on firm competitiveness.

The results revealed that core competencies have a statistically significant effect on firm competitiveness ($\beta=0.276$, t -value $=9.031$, $p=.000$, which is $<.05$). These results indicate that with each unit increases in core competencies, firm competitiveness increases by 0.28 units. The findings verify the concept that a firm's core competencies significantly contribute to its level of competitiveness. Therefore, hypothesis H_2 was accepted.

Table 5: Hierarchical Regression for direct effect relationship

Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	4.301	.399			
	Firm size	.170	.061	.137	2.787	.006
	Firm age	.020	.040	.024	.484	.629
2	(Constant)	1.663	.343			
	Firm size	.138	.046	.111	2.985	.003
	Firm age	.013	.031	.015	.414	.679
	Strategic Direction	.265	.024	.434	10.969	.000
	Core Competences	.276	.031	.357	9.031	.000

Model Summary

Model	Std. Error					Change Statistics				
	R	Adjusted R Square	of the R Square	Estimate	R Square Change	F Change	df1	df2	Sig. F Change	
1	.139 ^a	.019	.015	.60613	.019	4.030	2	407	.018	
2	.663 ^b	.440	.434	.45921	.421	152.043	2	405	.000	

a. Predictors: (Constant), Firm age, Firm size

b. Predictors: (Constant), Firm age, Firm size, Core competencies, Strategic Direction

Dependent Variable: Firm competitiveness

Source: Survey data, 2022

Discussion

This section presents a discussion of the findings. It is based on emerging themes and critical incidents that address the stated hypotheses. The researchers combined quantitative and qualitative findings to bring out the social reality of strategic direction, core competencies and firm competitiveness. The discussion is based on two hypotheses:

H1 Strategic direction has no significant effect on firm competitiveness among manufacturing firms in Uganda

This research shows that setting a clear strategic path helps businesses stay competitive. This research shows that organizations' plans are effectively conveyed, and as a result, the necessary knowledge and abilities of employees may be more easily determined. When new organizational plans call for personnel adjustments,

employees are often amenable to making them. Vignette 1 demonstrates how strategic direction may help manufacturing companies stay competitive.

Vignette 1: Clear directions help in improving the level of competitiveness

The informants indicated that, when leaders give directions like setting of targets to be achieved on a monthly or weekly basis, workers are pushed to work hard to achieve the set targets. This results to the firm producing more and even selling more of the products hence, gaining more profits.

Vignette 1 demonstrates that when firms set clear directions, the level of competitiveness of such firms improves.

The findings of this study are compatible with those of Akenten (2019), who believes that having a strategic direction helps you anticipate the future, drives you to meet your own high success criteria and makes your organization more competitive. However, in the absence of the aforementioned, CEOs have exclusive responsibility for determining the companies' strategic direction, which Hitt *et al.*, (2010) described as the process through which a company creates a long-term vision of its strategic goal. Resource-based theory lends credence to the results of the present investigation. The theory suggests that a company may get an edge in the market by developing resources and skills that are rare, highly sought after, and difficult to replicate by competitors (Baark *et al.*, 2011). Multiple sources, including Takiguchi (2000), Barney (2001), and Proponents of the resource-based view, argue that rather than investing in brand-new capabilities for every opportunity, organizations would be better served by finding creative ways to repurpose existing ones (Nafula & Ku, 2017).

H2 Core competencies have no significant effect on firm competitiveness among manufacturing firms in Uganda

According to the study, core competency, as an element of strategic leadership, was also indicated as a way to boost firm competitiveness. In business, "core competence" refers to the well-honed combination of various assets and skills that sets an organization apart from its competitors. Companies need to focus on developing their distinctive strengths to remain competitive in the long run. Core competencies are essential attributes that contribute to a company's future success and may be used in various contexts and strategies. According to the findings of this study, manufacturing businesses' core competence must satisfy the following criteria:

- Customer Value:** A key competency must contribute significantly to the customer's perception of value.
- Competitor Differentiation:** A manufacturing firm's level of competence cannot be characterized as core unless it is superior to all of its competitors and impossible to copy.
- Extensibility:** Within a manufacturing firm, the skill must be able to be applied to new product areas.

Vignette 2 explains core competence and its relevance in improving the level of competitiveness among manufacturing firms

The informants indicated that, core competences such as skilled personnel, working as a team, experienced team and rewards given to the sales team makes firms to be more efficient in terms of what they do. Also, working as a team increases the speed of work and this implies that we reach our customers faster than the competitors. All these makes firms to be more competitive since the workers are more motivated and committed to their work.

Vignette 2: Core competencies help in improving the level of competitiveness.

Vignette 2 demonstrates that core competencies such as skilled personnel, rewards given to staff, and possession of experienced workers improve on the level of competitiveness.

In light of these findings, experts such as Hafeez (2002) and Gupta *et al.*, (2009) concluded that a firm's core competencies are the foundation of its ability to compete in the market successfully. Moreover, S. C. Srivastava (2005) contends that a company's competitive advantage may be connected to its core competencies. Jerab *et al.*, (2012), identified a positive relationship between a company's core competencies and its levels of competitiveness, which is supported by these findings. Firms with a competitive edge will eventually have higher performance due to this advantage. Moreover, the resource-based perspective theory lends greater credence to the conclusions of this research. According to the RBV hypothesis, a firm's special resources enable it to achieve abnormal returns/profits and to maintain a sustainable competitive edge over its competitors (Peteraf, 1993). In RBV, the major focus is on how businesses identify and use their distinctive assets and competencies to increase their profitability and solidify their positions as market leaders (Madhani, 2010; Wernerfelt, 1984; .

Conclusion

This research aimed to see how the strategic direction and core competencies affect the degree of competitiveness among Ugandan manufacturing companies. By quantifying the extent to which strategic leadership attributes affect a firm's competitiveness, this research contributes significantly to the body of strategic management literature. The study looked into, among other things, the link between strategic direction and firm competitiveness, as well as the relationship between core competencies and firm competitiveness among Ugandan manufacturing firms. The researchers came to the following conclusions from the study's findings. The findings first show that a firm's strategic direction positively and significantly affects its level of competitiveness.

In conclusion, the study reveals that developing clear strategic directions in a strategic plan ensures that people will perform more efficiently with defined goals. At the same time, top-level stakeholders will maintain faith in the firm's potential to achieve long-term success. This enables a firm to advance more quickly and effectively than its competitors, hence increasing the organization's competitiveness. Secondly, the research found that a company's core competencies positively and statistically significantly affect its competitiveness. As a result, the study concludes that if businesses want to improve their competitiveness, they must identify and capitalize on critical capabilities, including ensuring high-quality items, introducing innovative technology, and delivering excellent customer service.

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